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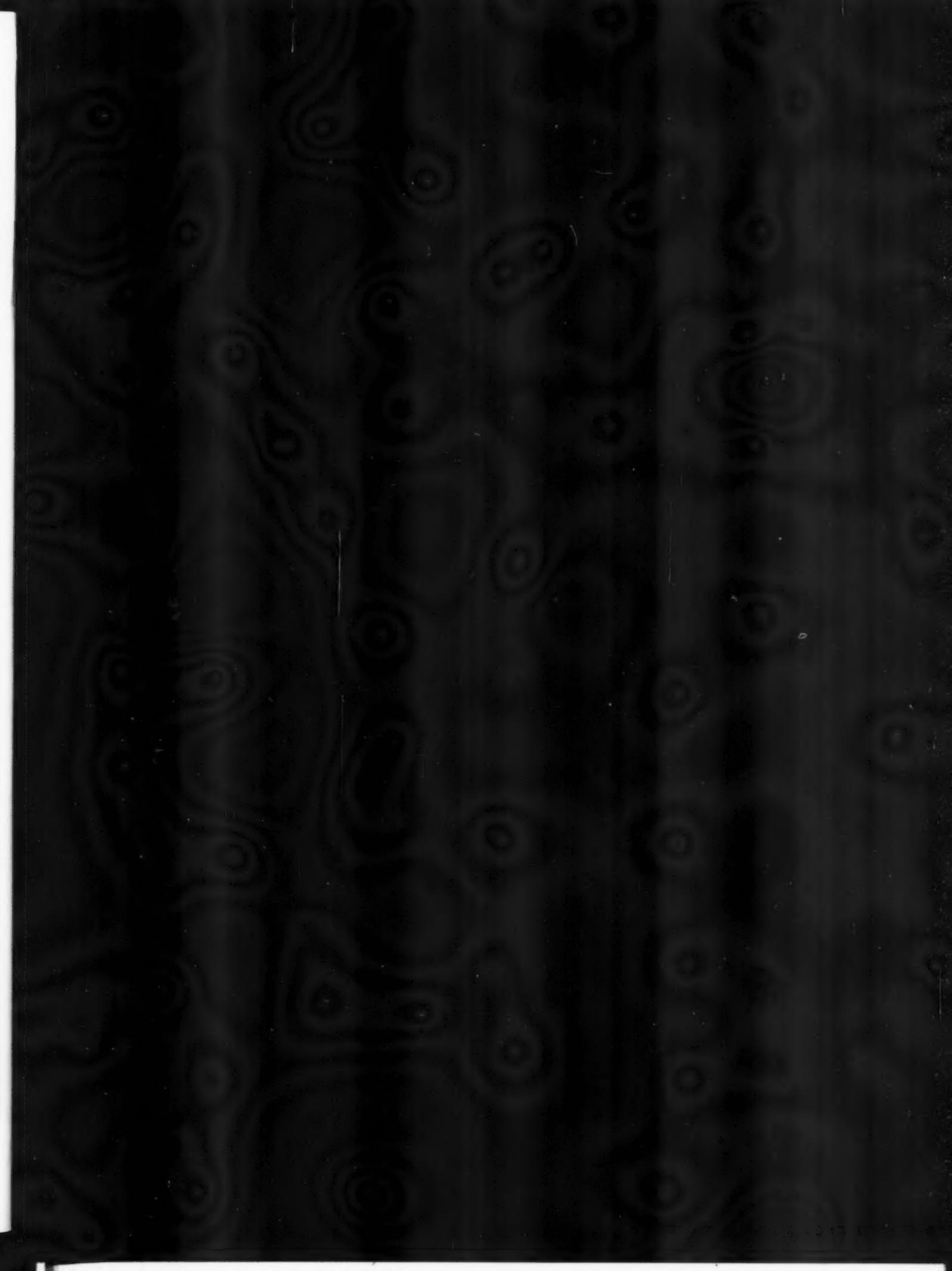
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PROFESSIONAL NOTES

The Spate of New Laws

Inter arma silent leges. In no war has the adage been less true. The call to arms, so far from silencing the laws, has produced ceaseless activity among the law-makers—in the legislature and Government departments alike. A flood of new laws has descended upon us and it has become an exhausting exercise to move in pace with this great flow. But of all members of the community the business man is probably most affected by it, and the professional accountant, as the business man's adviser, must keep careful watch on the statutes issued daily from Westminster and, even more, on the orders and regulations promulgated hourly from Whitehall. We therefore give on pages 37/41 of this issue a guide to those Acts and Orders which concern the business community, adding short summaries of their main provisions, and we propose to bring the list up to date from time to time, so that our readers will be provided with a complete conspectus of war-time laws. One part of last month's legislation—the Excess Profits Tax—stands out from the rest as possessing overriding importance from the accountant's point of view. We devote three articles

to this tax in the present issue. It must be borne in mind that, like many of the new laws, the Finance (No. 2) Act was passed hurriedly and that suggested amendments in the tax were put aside without discussion only on the Chancellor's assurance that they could come up for consideration at the time of the next Budget. As Mr. A. Stuart Allen shows in his article, the tax is far from perfect, and it is to be hoped that it will be substantially improved next spring when experience of its working—valuable if not very extensive—will have been gained. In the meantime, the articles of Mr. James McBurnie and Mr. H. A. R. J. Wilson will be of interest in explaining the tax and the type of computations it will involve.

Economic Co-ordination

The home economic front has so far been the most important front of the war against Germany. It was hardly to be expected that such a novel type of war would be perfectly managed from the very start. There is no room for complacency, however, in the notable lack of co-ordination among the various economic controls, the apparent failure to plan ahead in order to extract the utmost war-

potential from the economy, and the existence of economic dislocation in the first month of war in a number of industries. It is surely no unhelpful criticism, but merely a repetition of the obvious, to remark that only an economic co-ordinator at the head of affairs could adjust these deficiencies. The appointment of Lord Stamp as Economic Adviser to the Government was, therefore, welcomed on all sides. At the same time, it has been generally felt that Lord Stamp needs the powers of a Cabinet Minister—in fact, those of a member of the War Cabinet—in order to succeed in his task, rather than those of a part-time adviser and consultant. At no time, moreover, has it been more evident that an Economic General Staff, with which the Economic Adviser is not provided, is an urgent necessity. Thus it seems that Lord Stamp starts under a double handicap and we venture a prediction that the march of events and the growth of problems will compel its removal before very long.

A trial compilation of the agenda of economic co-ordination at the present time shows the measure of the problems at present existing. For example, the following are only a few of the items on the agenda :—

(1) The transfer of labour and other resources from luxury and semi-luxury industries into war industries, including those necessary for the maintenance of essential standards of consumption.

(2) Arising from (1), (a) the avoidance of unemployment due to war dislocations and (b) the training of labour for expanding industries, in the face of the political difficulties involved in the dilution of labour.

(3) The fitting of price and production controls into a coherent plan consistent with the setting-up of an adequate scheme of priorities for war industries.

(4) The fostering of the export trade to secure the import of essential materials and foodstuffs.

(5) The financing of war by (a) the most efficacious scheme of taxes consistent with the maintenance of industrial enterprise, (b) the cheapest borrowing policy consistent with the avoidance of inflation.

Controls in the City

Although the City has made a good recovery from the initial shock of war, it remains but a shadow of its former self. The foreign exchange market, most of the important commodity markets, the market in international securities, have all been put out of business by controls of one kind or another. It is realised that in wartime an extension of Government authority is necessary or inevitable, but there is a growing feeling that bureaucratic control in a disquieting number of cases actually prejudices the national interest by preventing traders and financiers from earning those commissions which form so useful an " invisible " item on the credit side of our balance

of payments. The ban on purchases of foreign securities prevents operators from ultimately increasing our foreign exchange resources by participating in the Wall Street boom, even though the national interest is fully protected simply by causing such holdings to be registered pending mobilisation. Banks of high standing are forced to leave their dollar balances idle, when profits could be made by lending them to foreigners in the form of swap transactions which ensure absolutely that the dollars will be repaid within three months. The difficulties in all branches of the export trade are well known. And intense irritation has been caused by the restrictions on cabling and the virtual suspension of telephonic communication with abroad—even letters to our allies in Paris take six days to deliver. It is to be hoped that our new rulers appreciate that any unnecessary hampering of legitimate private trading is a grave disservice to the country.

War Risks Insurance

If critics of the Government's scheme for insuring traders' stocks against war risks remain almost as numerous as before, they have at least become less vociferous. Unsatisfactory features of the scheme remain, and remain in plenty, but the remission of a month's premium by the Government has put them in a rather different perspective. Moreover, the issue of two lists of commodities excluded from the compulsory scheme—most of them on grounds of indestructibility—has silenced traders in the commodities concerned, who objected to paying premiums for a non-existent risk. The premium concession means that traders receive for their premium payment of 1½ per cent. four months' cover from the outbreak of war, instead of three months'. Examples of the commodities now excluded from insurance are coal, certain forms of iron and steel, metals of specified kinds and cement. Despite the compulsory nature of the insurance for stocks valued at more than £1,000, we have heard of many cases where insurance has not yet been effected or an application made. The fact that premium collections amount to only £13 million on stocks estimated at £2,000 million—a discrepancy larger than is to be explained by the issue of monthly policies as well as three-monthly and the voluntary nature of insurance for stocks of less than £1,000—would seem to confirm that many traders within the compulsory provisions are so far uncovered. It should be remembered that there are heavy penalties under the Act for failure to insure where insurance is compulsory. While the trader is thus bound to insure his stocks, the property owner finds it impossible to do so. Hopes that the Government would introduce a scheme for the adequate cover of property were destroyed when the Chancellor's Committee presided over by Lord Weir recommended, in a particularly unimaginative

and colourless report, that only payment of State compensation at the end of the war was practicable. In the single positive paragraph of their report, the Committee admittedly suggested that post-war compensation should be in full, and not partial, as in the Government's present proposals. But how much more secure would be the property owners' position if pooling of risks, supplemented if necessary by State contributions, were instituted! He is very unlikely to obtain full protection *via* compensation from the State, seeing the other great demands on the Exchequer which would exist in the post-war reconstruction.

The Profiteering Bill

The Government's proposals for preventing profiteering are now before Parliament in the form of the Prices of Goods Bill. The aim of the Bill is to limit the rise in the price of certain goods, namely, those prescribed by the Board of Trade, to the wartime increase in the cost of production and marketing. The price ruling on August 1, 1939, is normally to be taken as the "basic" price, unless exceptional circumstances or seasonal movements in prices warrant the Board of Trade in taking the price obtaining at another date. The permitted increase in the basic price is that which is reasonably justified having regard to the following items:

Cost of the provision of materials, whether raw or semi-manufactured, and of stocks of goods, requisite for the carry on of the business.

Expense of manufacturing and processing operations.

Cost of premises and plant, expense of maintenance and improvement thereof, and rent.

Insurance premiums.

Wages and salaries.

Liability for duties of customs and excise, rates, and interest on money borrowed.

Transport charges.

Expense of advertising, employment of salesmen on commission, and other marketing measures.

Changes in the total volume of the business over which the overhead expenses thereof fall to be spread.

Any other matter specified in an order made by the Board of Trade and in force at the time of the sale, agreement or offer in question.

Power is also vested in the Board of Trade, after consultation with the Central Prices Regulations Committee to be set up, to specify the basic price and standard permitted increase of any class of goods on request by a body representative of traders in the goods concerned. An appeal may be made against the prices so laid down by the Board and the appeal will be heard by a legal Referee assisted by three assessors to be appointed from among three panels

of 18 persons, six of whom (the members of one panel) are to be "experienced in matters of finance and accountancy."

Local prices regulation committees are to be established in different parts of the country with the duty of enforcing the Act in the locality covered, and to hear representations from persons alleging infringement of the Act by traders. The Board of Trade, following reports from local and central prices regulation committees, may institute prosecutions for such contravention, if they think fit. The prices regulation committees, in investigating allegations of profiteering, may require the trader to produce accounts, books or other documents and may appoint a person to examine them and to obtain such other information as he may require in order to determine whether the Act has been contravened. Penalties are laid down for failure to produce accounts and records if required, and for presenting accounts and records false in material particulars. It remains to be seen, when the Act has been duly passed into law, whether it will be fully effective in preventing profiteering, but it certainly seems to go further than the measure adopted with the same aim after the war of 1914-1918, which proved to be, to a large extent, abortive.

Our Oversea Trade

Imports in September of this year amounted to £49.9 million, compared with £75.0 million in September, 1938, a decline of 33.4 per cent. Exports, at £23.1 million this September, showed a decline of 42 per cent. compared with the figure for September, 1938 (£39.8 million). In the first month of the last war the decline in imports was 24 per cent. and in exports, 45 per cent. It is not possible to make a very close comparison with the experience at the beginning of the last war, since on this occasion the controls have been much more extensive, but on the other hand, traders have had the benefit of convoys and other protection much earlier in the war. The quantities of goods imported and exported cannot be estimated owing to the contracted form in which the official statistics are now presented. The fall in the value of exports in September was general to practically every main category of goods. As was to be expected, the month's decline in imports was concentrated among foodstuffs, particularly grain. Raw materials were also affected, but imports of timber, oils and hides were rather larger than might have been anticipated. Imports of iron and other ores and raw cotton actually showed an expansion compared with the year previously. There is every expectation that the October trade returns will show some improvement.

The Excess Profits Tax

I—Some Impressions

By A. STUART ALLEN, Incorporated Accountant
(Member of the Council of the Society of Incorporated Accountants).

The Finance (No. 2) Act passed through all its stages with such rapidity that only the scantiest opportunity has been afforded for detailed study of the complicated clauses relating to the Excess Profits Tax, so that at this stage comment must be restricted to some of its most salient features.

The first impression is that generous borrowings have been freely—almost light-heartedly—indulged in from the long dead Excess Profits Duty, the stillborn Armament Profits Duty, and the inadvertent National Defence Contribution.

At the time of its introduction, it was contemplated that the Armament Profits Duty would be extremely limited in its application, and this was held to justify the granting of wide discretionary powers to the Board of Referees—that long-suffering and hence much-revered tribunal, the Pooh-Bah of our fiscal system—to consider applications and to grant such relief as they might deem just to an extensive range of taxpayers who could allege special circumstances or hardships. With a tax of general application it remains to be seen whether a device so convenient and appealing to the draughtsman will prove feasible in practice, with its inevitable consequence of prolonged delays in a large number of cases. The resultant inability of trading undertakings to make any reliable estimate of a liability to the State may easily prove sufficiently serious to stultify any financial programme.

So far as the National Defence Contribution is concerned its imperfections can be excused—but not justified—by the relatively trifling rate of the tax, but, multiplied by twelve, minor inequalities become major and intolerable.

Turning to the provisions themselves, the charging section embraces first businesses carried on in this country, and then—through owners ordinarily resident here—any other businesses wherever they are to be found, which such persons carry on either personally or through an agent. Legal purists will be distressed to discover from the later section dealing with interconnected companies that, in effect, there is to be aggregation of the results of a subsidiary company with those of its parent whether the subsidiary is resident or carrying on business in this country or not. In other words, for the purposes of the tax, an offspring who has attained maturity and emigrated is to be deemed to have reverted to the pre-natal state.

A contrast, therefore, seems to arise between a foreign subsidiary company of a British parent con-

cern, which foreign company may be both incorporated and controlled abroad, and a single company incorporated in England which has taken steps to render itself non-resident in the United Kingdom (following the Egyptian Delta Lands Case), and which owns but does not carry on a business overseas. The former is brought within the ambit of the Excess Profits Tax by Section 17, but the latter escapes the mischief of the charging section.

While on the subject of group concerns, it may be mentioned that it is not surprising to find that the rapid growth of inter-connected companies in the last quarter of a century has led to provisions for the present tax differing markedly from the corresponding provisions for Excess Profits Duty. Notably the previous requirement that parent and subsidiary should carry on the same business has been abandoned. It seems certain that the tax itself will exercise a considerable influence on group concerns, and that horizontal and vertical structures will probably cease to exist except within the covers of text-books.

A comparison of the Sections of the 1937 and 1938 Finance Acts dealing with the liability to National Defence Contribution of parent and subsidiary companies, with the corresponding Section of the present Act, affords grounds for interesting speculation as to how the alternative minimum liability to National Defence Contribution is to operate. Equally the method of allocation of the Excess Profits Tax of a parent company between its subsidiaries, so that allowance for income tax may be secured, is left to the imagination.

Section 18, which permits the deduction of Excess Profits Tax in the calculation of income-tax liability, is on much more straightforward lines than the related Excess Profits Duty Section, in that all repayments of Excess Profits Tax are to be treated as a profit of the period in respect of which the amount becomes repayable. This will avoid many anomalies which arose with Excess Profits Duty when the date of the repayment dictated the treatment.

It is notable that no provision is made for a percentage standard as such, except in the case of businesses which started after July 1, 1936, when for any chargeable accounting period the standard profits are to be the statutory percentage on the average capital employed in such chargeable accounting period. Businesses with a satisfactory record of profits from 1935 or 1936 have certain options open

to them, but established concerns with an adverse history must rely on the discretion vested in the Board of Referees to secure for themselves an equitable standard.

Several issues arise here in that if the Referees reach the conclusion that the profits of the standard period in a particular case are unsatisfactory because the rate of profit or the volume of turnover was less than might then have been expected, they may award such greater amount as they think just, provided that in the case of a company such greater amount shall not exceed a sum equal to six per cent. on the issued ordinary share capital and the fixed dividends on other classes of shares—in normal cases the amount of the preference dividends. Once again there is a proviso for a further increase if some specific cause can be adduced "peculiar to the trade." There is room here for interesting contrasts in treatment. It would seem that a concern which has been content to stagger along under the burden of a greatly inflated capital structure can expect a standard based on its issued capital (which must at some stage have had some measure of justification by reference to actual results achieved), whereas those to whom the pruning knife has been ruthlessly applied may hope for, but not be certain of, some concession. It is to be surmised that development of the practice of the Board of Referees will be watched with eagerness, and not a little apprehension.

Generally, the provisions as regards the standard profits seem likely in practice to confer benefits on the fortunate in the sense that the longer the period of prosperity the more ample is the choice for the fixing of the profits standard. During the course of the Debate in the House of Commons the issue was raised that in a number of instances the year 1938 was likely to be the only year in which a reasonable standard of profit-earning had been attained, but this suggestion was rejected on behalf of the Government mainly on the ground that by 1938 the rearmament programme had got well into its stride and that it was difficult to devise a form of words which might leave the option of 1938 open in appropriate cases and yet exclude armament undertakings from its benefits.

It is, of course, conceivable that the Board of Referees in the exercise of its discretion to "direct that the standard profits for a full year shall be ascertained as if the profits for the standard period were such greater amount as they think just" may decide on a greater sum bearing a most marked resemblance to the actual profits for the year 1938.

No doubt it is consideration for the Board of Referees which has dictated the absence of a provision for any variation in the statutory percentage on capital to reflect exceptional risk or the other matters which were competent grounds for an application for an increased percentage for the Excess Profits Duty. It is difficult to discern any other

justification for putting on an equality in this respect the venturer who has subjected his capital to the risks of a mining undertaking overseas, and the trader who prefers the more certain and immediate, if more limited, rewards of a shopkeeper in this blessed plot.

To suit a different taste, the comparison could be drawn between the activities of a pioneer developing the wide open spaces of Empire (usually from a luxurious office in the City with other people's money and for an ample remuneration) and the retailer living laborious days and risking his small all in the fierce competition of domestic trade. It may have to be admitted that some of the increased percentages previously granted were apparently determined by abstruse calculations of the theoretical risk rather than by considerations of practical experience, but the generosity in the previous practice cannot justify the complete abandonment of the underlying principle, or the injustice inherent in the assumption that the risks to capital are equal throughout the whole range of the industrial activities centred in this country. The analogy of the Armament Profits Duty is not valid since *a priori* that duty was applicable to a much more limited range than the present impost.

For the present tax the allowance in respect of an increase in the capital employed in the chargeable accounting period over the capital in the standard period is based on a comparison of the average capital in both periods. It should be noted that liability to Excess Profits Tax itself is only to be a deduction from capital on the day following the period in respect of which it arises; thus the capital at, say, January 1, will be less than the capital of the previous day by the amount of the Excess Profits Tax liability.

Much criticism is likely to be levelled at the clauses in the schedule providing for special allowances in respect of plant and buildings likely to become obsolescent. In the first place, the arbitrary date is fixed, January 1, 1937, so that assets previously acquired cannot fall within the allowance.

The somewhat rigid wording is unlikely to achieve equity in a number of cases where changes of industrial activity were enforced by the outbreak of war, and it will be surprising if the hardships and anomalies are not multiplied exceedingly during the course of hostilities, and by the transformation that seems likely to follow thereafter.

Lest it should be thought that these comments are made in a spirit of carping and unhelpful criticism, it should be remembered that during the passage of the Bill through the House of Commons, the Chancellor has made reference to the principle of retrospective legislation—hallowed by recent but familiar tradition—and that the duration of this war, of aims too lofty for precise definition, seems likely to provide ample opportunity for the writing into the Statute Book of further instalments of this new serial.

It may be that even now the real *magnum opus* is burgeoning in bureaucratic brains behind brows—

inevitably lofty—brushed by breezes blowing westwards from Fleet Street.

In present circumstances there is unlikely to be serious opposition to such precautions as are officially deemed necessary to ensure that the fount of profits shall be made to yield the maximum in order to slake the gargantuan thirst of modern Mars. Such problems as the conservation of resources for finance reorgani-

sation and reconstruction in the post-war period are deferred to a future which is as uncertain in point of time as in the conditions which will prevail following the stresses and strains of a conflict which affects every aspect of human existence.

Fortunately there is for each one of us the comforting reflection that "to-morrow I may be myself with yesterday's sev'n thousand years."

II.—The Tax Explained

By James G. McBurnie, M.A., LL.B., Chartered Accountant

This is a tax of 60 per cent. on the profits made by a trade or business in a "chargeable accounting period" in excess of the profits made by the same trade or business in an earlier "standard" period. The tax extends to all trades or businesses carried on in the United Kingdom, or carried on by persons ordinarily resident in the United Kingdom, including investment and property companies, but excluding professions where the profits are dependent on the personal qualifications of the individuals concerned. A "profession," however, is not to include any business of making contracts on behalf of others or giving advice of a commercial nature regarding the making of contracts. Where the same person carries on several businesses, each of which is itself within the scope of E.P.T., they are to be treated as one business for the purposes of the tax.

A chargeable accounting period is any accounting period of the business beginning on or after April 1, 1939, or so much of any accounting period beginning before April 1, 1939, as falls on or after that date.

Since the machinery of the tax involves a comparison of the profits made by a business in two periods, it is obviously unfair to ignore differences in the amount of capital employed during the two periods, and Section 13 makes allowance for this by granting, in the case of an increased capital, an addition to the standard profits of the "statutory percentage" on the increase in capital, the statutory percentage being 10 per cent. for individuals, partnerships and director-controlled companies, and 8 per cent. for other companies. Where the capital employed has decreased, the corresponding percentage is 6 per cent. Elaborate provisions are made regulating the method of computing both capital and profits for all periods (see below). If necessary, figures for accounting periods which extend beyond the relevant dates governing E.P.T. are to be worked out in full and the necessary apportionments made (on a time basis, unless the Commissioners in special circumstances otherwise direct).

The "standard profits" depend on the date of the commencement of the business. The following table shows the position:—

	Date of Commencement of business	Standard Profits are Profits of
(a)	On or before January 1, 1935	Calendar year 1935 or 1936, or either 1935 or 1936 averaged with 1937.
(b)	After January 1, 1935, and on or before January 1, 1936.	Calendar year 1936, or average of 1936 and 1937.
(c)	After January 1, 1936, and on or before July 1, 1936.	Any consecutive period of 12 months (to be chosen by the taxpayer) ending not later than June 30, 1937.
(d)	On or after July 1, 1936.	"Statutory percentage" of average amount of capital employed in the chargeable accounting period.

In cases (a), (b) and (c) (i.e., where a standard period is possible) the choice of year or years rests with the taxpayer, who has a further option, if he is dissatisfied, to ask the Board of Referees for a higher standard, provided he can show that in the standard period the rate of profit or the volume of business was less than might then have been reasonably expected. Such higher standard, in the case of a company, is limited to an amount sufficient to provide the fixed rate dividends and 6 per cent. on ordinary capital. Even in this latter case, however, the company may apply for a still higher standard, but for this to be granted must show some specific cause peculiar to the trade or business. It should be noted that the specific cause must be peculiar to the particular taxpayer and that a general cause affecting the industry as a whole is not sufficient. These provisions are very widely drawn and no doubt will be the source of much argument and eventual legislation, as in the case of the similar provisions of the Excess Profits Duty in the last war.

There is an over-riding minimum standard profits figure of £1,000 or, in the cases of a partnership and a director-controlled company, £750 for each "working

proprietor," not exceeding £3,000. A working proprietor in such cases means a partner, or a director owning not less than 20 per cent. of the share capital of his company, who has "during more than one-half of the chargeable accounting period in question worked full time in the actual management or conduct of the trade or business."

It was one of the complaints against the Armament Profits Duty that no relief was given in respect of deficiencies of profits during the currency of the tax. In the present E.P.T., as in the old E.P.D., provision is made for relief in respect of such deficiency. Where the results of a chargeable accounting period are less than the "standard profits" the amount of the deficiency is to be granted as set-off from the excess profits of previous chargeable accounting periods, and the tax on those earlier periods will be repaid. Where the excess profits of previous chargeable accounting periods are less than the deficiency, the balance is to be carried forward against excess profits in future chargeable accounting periods. There are no provisions for carrying forward losses of earlier years prior to April 1, 1939, against excess profits after that date.

Section 17, dealing with inter-connected companies, occupies a page and a half; it is not difficult to see that here is a fruitful source of controversy and possibly even evasion.

In general terms the Act says that in a chargeable accounting period the results of (and figures of capital employed in) subsidiary companies (whether or not resident or carrying on business in the United Kingdom) are to be treated as the results of (and figures of capital employed in) the parent company, provided the latter is resident in the United Kingdom and is not itself a subsidiary of another company resident therein. Further, in computing the capital, profits and losses in such cases, payments by one company to another in the group of interest, annuities or other annual payments, or any royalty or rent are to be deemed not to be payable: the debt in respect of which such interest is payable is held not to exist; and any asset in respect of which the rent or royalty is payable is deemed to be the property of the company making the payment.

It should be noted that the provisions apply where the relationship of principal and subsidiary (*i.e.*, the ownership directly or indirectly of not less than 90 per cent. of the ordinary share capital) exists during any chargeable accounting period, and the results of the principal company's standard period (or computation of its standard profits) are to be arrived at after inclusion of the capital, profits or losses of the subsidiary companies, whether or not the relationship of principal or subsidiary did in fact exist prior to April 1, 1939.

Where the relationship of principal and subsidiary exists during part only of the chargeable accounting period, then that part of the subsidiary company's

results which are applicable to the duration of the relationship, are to be treated as part of the results of the parent company for the whole of the chargeable accounting period.

Section 16 of the Act provides that any change in the persons carrying on a trade or business shall automatically mean that the business ceases at the date of the change and a new business is set up as from that date. It is, however, provided that a change occurring after April 1, 1939, shall not have effect as regards the computation of standard profits, which will continue to be computed as if there had been no change. This concession is extended to changes in the personnel of a partnership which took place before April 1, 1939.

The amalgamation of two or more businesses on or after April 1, 1939, results in a new concern for E.P.T. purposes, which is to be treated as if it had existed throughout the life of any of its constituent businesses and had made the results and employed the capital of each of these constituent businesses in the earlier periods. In this case, as in the case of changes in ownership of a business after April 1, 1939, in computing capital no regard is to be paid to any consideration given in respect of the transfer of the businesses or any of the assets thereof on the occasion of the amalgamation or other change.

Where a business is split up after April 1, 1939, and part of it is transferred as a going concern to another person, the two parts are to enjoy their respective shares of the standard profits of the original total business and the necessary apportionment of profits, losses and capital is to be made.

One further special case is dealt with in this Section, namely, the case of a business transferred (either the whole or the main part) between July 1, 1936, and April 1, 1939. If it was substantially the same business before and after the transfer, the new owner is to have the benefit of the normal standard profit provisions as if he had owned the business throughout the earlier years.

Excess Profits Tax is allowed as a deduction in arriving at the income tax profits, and the amount allowed is the E.P.T. applicable to the profits of the period (not the E.P.T. paid during the period). Similarly, E.P.T. repaid under the deficiency provision must be brought in for income tax purposes, but in this case as a profit of the chargeable accounting period in which the deficiency occurred.

The National Defence Contribution introduced in 1937 for a period of five years ending March 31, 1942, remains in force, but will only be payable in respect of any chargeable accounting period if it is greater than the E.P.T. for the same period. Thus, two separate computations will have to be made, no account being taken in the E.P.T. computation of N.D.C., and *vice versa*. A rather complicated review of E.P.T. and N.D.C. for the earlier period

as well has to be made and examples of this will be found in the following article.

In general, income tax provisions apply in computing profits in the standard or chargeable accounting period, but there are certain modifications which may be summarised thus:—

1. What is to be considered is the actual profits arising in the particular period, and the principle of computing profits on the previous-year basis and of carrying forward losses are not to be followed.

2. Payments of interest, annuities or other annual payments out of profits, or royalties (which normally fall to be added back to profits) will for E.P.T. form permissible deductions (the gross amount in each case being deducted).

3. No deduction may be made for the annual value of land and buildings owned and occupied for the purposes of a business.

4. Investment income is to be included in the case of a building society, banking business or investment company.

5. Section 27 (4) of the Finance Act, 1920, shall not apply and payments of Dominion Income Tax may therefore be deducted in arriving at the profits.

6. Where a company is controlled by the directors, the deduction in the chargeable accounting period for directors' remuneration is limited to the deduction under the same headings in the "standard period." If there is no standard period no allowance may be made for directors' remuneration.

The stringency of this provision is, however, somewhat relaxed by the further provision that it does not apply to a director holding or controlling directly or indirectly not more than 5 per cent. of the ordinary share capital, who is required to devote substantially the whole of his time to the service of the company in a managerial or technical capacity.

7. The normal allowance for wear and tear in respect of the period is allowable, and there is a special allowance for buildings, plant and machinery provided since January 1, 1937, which have "on such a date as Parliament may hereafter determine" become obsolete or have been sold at less than cost owing to war conditions. This additional allowance is to be spread over the accounting periods affected and an interim allowance not exceeding 10 per cent. of the net cost may be allowed in each period.

8. Where the performance of a contract extends beyond an accounting period the entire profit or loss of the contract is to be spread over the accounting periods involved, having regard to the extent to which the contract is performed in each.

9. No deduction shall be made in respect of any transaction or operation if and so far as it artificially reduces the profits.

Part II of Schedule VII sets out the method of computing capital and provides that the amount of capital employed (apart from money) shall be taken to be the price of assets purchased at or after the commencement of the business or the nominal amount of debtors or the value at the date of acquisition of assets acquired otherwise than by purchase. In each case the amount is to be reduced by (1) any contribution out of public money towards the acquisition of an asset; (2) wear and tear; (3) bad debt or other allowances granted for income tax purposes. Borrowed money and debts, including debts for income tax, N.D.C. or E.P.T., are to be deducted. Finally, the profits of a period are to be deemed to have accrued at an even rate throughout the period and to have resulted as they accrued in a corresponding increase or decrease of capital.

III.—Specimen Computations

By H. A. R. J. WILSON, Chartered and Incorporated Accountant

As a supplement to Mr. McBurnie's outline of the new tax some specimen computations with practical notes are given below.

I. Choice of Standard Period

As E.P.T. is charged on the excess of the profits of the chargeable accounting period over those of the standard period, it is to the taxpayer's advantage to choose as the standard period the year or years which show the highest profit. This bald statement, however, must be qualified by the fact that the standard profits are to be increased or decreased by reference to the statutory percentage on the increase or decrease in capital employed in the chargeable accounting period, compared with that employed in the standard period. Where, therefore, a considerable increase has taken place in the capital employed, it may be advantageous to select as the standard period that which has a comparatively low average capital

employed, though the profits of that period are less than those of another year or years available.

TABLE I.
Illustration: Business in existence before January 1, 1935; company in which directors have controlling interest.

Year to Dec. 31	Profits adjusted on E.P.T. principles.	Average-capital employed.
1935	... 40,000	100,000
1936	... 43,000	156,000
1937	... 48,000	160,000

The possible standards are as follows:—

Standard Period.	Standard Profits.	Capital Employed.
1935	... 40,000	100,000
1936	... 43,000	156,000
1935 and 1937	... 44,000	130,000
1936 and 1937	... 45,500	158,000

If the chargeable accounting period, the year 1940, shows a profit of £55,000 and average capital em-

TABLE II.

	On 1935 Basis.		On 1936 Basis.		On 1935 and 1937 Basis.		On 1936 and 1937 Basis.	
	£	£	£	£	£	£	£	£
(a) Profits 1940	...	...	55,000	43,000	44,000	55,000	45,000	55,000
Standard profits	...	...	40,000	43,000	44,000	55,000	45,000	55,000
Add 10 per cent. on increase of capital	8,000	—	2,400	—	5,000	—	2,000	—
	—	48,000	—	45,400	—	49,000	—	47,700
Profit chargeable	...	...	£7,000	£9,600	£6,000	—	£7,300	—
(b) Profits 1940	...	...	55,000	55,000	55,000	55,000	55,000	55,000
Standard profits	...	...	40,000	43,000	44,000	55,000	45,500	55,000
Deduct 6 per cent. on decrease of capital	600	—	3,960	—	2,400	—	4,080	—
	—	39,400	—	39,040	—	41,600	—	41,420
Profit chargeable	...	...	£15,600	£15,960	£13,400	—	£13,580	—

TABLE III.

Accounting Period.	Profits as Adjusted for E.P.T.	Apportioned Profits.	
		Calendar Year.	Amount.
Year to September 30, 1935	Loss ... £5,000	1935	1/2 of £5,000 (loss) + 1/2 of £12,000 = loss £1,750
Eighteen months to March 31, 1937	Profit ... £12,000	1936	1/2 of £12,000 = £8,000
Year to March 31, 1938	Profit ... £16,000	1937	1/2 of £12,000 + 1/2 of £16,000 = £14,000

ployed of (a) £180,000, (b) £90,000, the E.P.T. assessments would be as in Table II.

Whether the average capital is expected to increase or decrease, therefore, 1935 and 1937 should be chosen as the standard period, and not, as at first sight would appear to be desirable, 1936 and 1937. It is, therefore, first necessary to make a computation of profits chargeable in cases such as these in order to find the most satisfactory basis.

If accounting periods do not correspond with calendar years, apportionments are necessary, as illustrated in Table III.

Unless there was an incredible difference in the capital employed, the standard period 1936 and 1937 would be taken, giving a standard profit of $\frac{1}{2}$ of £(8,000 + 14,000) = £11,000. If the business is a seasonal one, it may be more appropriate to apply to the Commissioners of Inland Revenue for apportionments on the basis of the turnover of the respective periods, or some other basis which will take into account the seasonal element.

II. Computation of Profits

As for N.D.C., the method of computation will be to take the Case I, Schedule D, adjusted profit, and adjust for those items included in that computation which are differently treated for E.P.T. The illustration in Table IV, however, is given to show the matters requiring adjustment if the computation is made separately for E.P.T.

If it is a company in which the directors have a controlling interest, there must be added back the excess of directors remuneration over that of the standard period, in respect of directors other than those who may be called "whole-time service

directors," i.e., those each of whom is required to devote substantially the whole of his time to the service of the company in a managerial or technical capacity and is not the beneficial owner of or able, directly or indirectly, to control more than 5 per cent. of the ordinary share capital.

Since investment income is excluded, interest on borrowed money must be reduced by the interest on an amount of principal equal to the value of the investments, unless the business is carried on by a sole trader or partnership and the investments are

TABLE IV.

Year to September 30, 1939.

Profit per Profit and Loss Account	...	...	£25,000
<i>Add :</i>			
Income Tax and N.D.C.	...	...	5,000
Depreciation	...	...	2,000
Loss on realisation of investments	...	...	500
Legal expenses of capital nature	...	...	100
Bad debt general reserve	...	...	400
Charitable subscriptions (not to institutions from which employees or their dependants could derive benefit)	...	...	50
			33,050
<i>Deduct :</i>			
Wear and tear of plant and machinery (including 20 per cent. increase)	...	2,400	
Exceptional wear and tear under Rule 3, 7th Schedule, Finance (No. 2) Act, 1939 (provisional)	...	1,000	
Depreciation of factory (one-fifth of Rating N.A.V. being less than statutory allowance, Schedule A)	...	80	
Income from investments	...	3,000	
Estimated loss on contracts not yet completed, proportionate to work completed in year	...	400	
		6,880	
Adjusted profits	...	...	£26,170

not charged to secure the principal and interest of the borrowed money.

On the above figures, the profits for the first chargeable accounting period from April 1, 1939, to September 30, 1939, would be $\frac{1}{2}$ of £26,170 = £13,085, to be compared with half the standard profits (as increased by the statutory percentage on the increase in capital for the half-year).

III. Computation of Capital

Where the business was set up after July 1, 1936, the assets must be valued at cost price, less the deductions specified in Part II of the 7th Schedule. Although the calculation is one requiring care, particularly in respect of capital introduced or withdrawn during the chargeable accounting period (the average date method being employed),

it is not thought necessary to illustrate it.

In the case of businesses in existence at that date, however, the object of the computation is to arrive at the increase or decrease in capital employed compared with the standard period. To go back to the cost price of assets which were acquired many years before would be an unnecessary, if not impracticable, task, and it is sufficient to commence with the balance sheet figures at the commencement of the standard period, since any alterations made on that balance sheet would operate throughout without affecting the increase or decrease in capital employed. Adjustments are then necessary only in respect of amounts written off out of profits, capital introduced or withdrawn and accumulating profits or losses.

TABLE V.
Illustration : Company established many years ago ; Standard period chosen, 1936 and 1937.
Computation of Capital from Balance Sheets at December 31.

December 31	1935	1936	1937	1938	1939	1940
Assets as per balance sheet (excluding investments) ...	£400,000	£415,000	£420,000	£390,000	£410,000	£450,000
<i>Add</i> Depreciation written off in year ...	—	8,000	8,500	8,100	10,000	14,000
Cumulative total brought forward ...	—	—	8,000	16,500	24,600	34,600
Reserves for income tax, etc. included in creditors ...	—	7,000	8,000	9,000	25,000	50,000
	<u>£400,000</u>	<u>£430,000</u>	<u>£444,500</u>	<u>£423,600</u>	<u>£469,600</u>	<u>£548,600</u>
<i>Deduct</i> —	1935	1936	1937	1938	1939	1940
Borrowed money, less value of investments... ...	£20,000	£20,000	£20,000	£20,000	£30,000	£30,000
Creditors and Bills Payable	27,000	29,000	18,000	22,000	45,000	32,000
Wear and Tear and Depreciation of Factory Allowances for year	—	7,500	7,900	8,000	8,900	9,500
Cumulative totals brought forward	—	—	7,500	15,400	23,400	32,300
	<u>£47,000</u>	<u>£56,500</u>	<u>£53,400</u>	<u>£65,400</u>	<u>£107,300</u>	<u>£103,800</u>
	1936	1937	1938	1939	1940	
Net assets on January 1 on basis of Balance Sheet for previous day ...	£353,000	£373,500	£391,100	£358,200	£362,300	
<i>Deduct</i> liability for Income Tax, N.D.C. and E.P.T. ...	5,000	6,000	5,800	6,500	14,000	
	348,000	367,500	385,300	351,700	348,300	
Net assets at December 31	373,500	391,100	358,200	362,300	444,800	
Net Increase (I) or Decrease (D).	(I) 25,500	(I) 23,600	(D) 27,100	(I) 10,600	(I) 96,500	
	1936	1937	1939	1940		
Net assets at January 1 after deducting taxation liability ...	£348,000	£367,500	£351,700	£348,300		
<i>Add</i> proportion of profits* to April 1, 1939, $\frac{1}{2}$ of £20,600 ...	—	—	5,150	—		
Net assets at April 1, 1939	—	—	—	356,850		
<i>Add</i> proportion of profits* during period (one-half at average date). (In case of 1939, one-half for nine months) ...	17,750	16,800	—	7,725	32,250	
New capital introduced April 30, 1940, eight months ...	—	—	—	—	30,000	
<i>Deduct</i> proportion of dividends paid in year, not used as capital from date of payment						
eight months of £10,000 paid April 30 ...	6,667	6,667	6,667	6,667	—	
eight months of £5,000 paid April 30, 1939 ...	—	—	—	—	3,333	
two months of £8,000 paid October 31, 1939 ...	—	—	—	—	1,333	
Average capital employed	359,083	377,633	—	357,908	405,384	
Average capital employed in standard period	—	368,358	—	368,358	368,358	
Increase or decrease for chargeable accounting period ...	—	—	(D) £10,450	(I) £37,526		

* The profits have been taken to be the increase in assets plus dividends paid (less in 1940, the new capital introduced, £45,000). In practice, the profits figure would be available.

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TABLE VI.

Illustration : The following figures cover the whole period during which N.D.C. and E.P.T. are both in force. Assumed that accounts are made up annually to November 30.

Chargeable Accounting Period.	N.D.C. chargeable.	E.P.T. chargeable.	Totals to end of charge- able accounting period.		Total tax charged for previous year.	Tax payable.
			N.D.C.	E.P.T.		
Eight months to 30/11/39	£ 2,500	£ 6,000	£ 2,500	£ 6,000	£	E.P.T. 6,000
Year 30/11/40	3,300	3,600	5,800	9,600	6,000	E.P.T. 3,600
Year 30/11/41	1,800	(D) 2,400	7,600	7,200	9,600	N.D.C. * nil
Four months to 31/3/42	1,250	2,000	8,850	9,200	7,600	E.P.T. 1,600

(D) In the year 30/11/41 there was a deficiency in respect of which E.P.T. was £2,400. * E.P.T. repayment limited to £2,000.

IV. Ascertainment of whether N.D.C. or E.P.T. is Payable

The statement in the preceding article that N.D.C. is only payable in respect of any chargeable accounting period if it is greater than the E.P.T. for the same period can now be expanded to show how the comparison is made. The steps are as follows :—

(1) Ascertain the total E.P.T. chargeable for the chargeable accounting period under review and all previous chargeable accounting periods as if there were no N.D.C.

(2) Compute the total N.D.C. for the same period as if there were no E.P.T.

(3) If the total of (2) is greater than the total of (1), N.D.C. and not E.P.T. will be payable for the chargeable accounting period under review ; in any other case E.P.T. and not N.D.C. will be payable.

(4) Compute the total amount charged in previous E.P.T. chargeable accounting periods for N.D.C. and/or E.P.T. (whichever has been charged) ; the amount chargeable in the chargeable accounting period under review (whether it is N.D.C. or E.P.T. that is appropriate under (3)) is not to exceed the difference between the higher of the two totals (1) or (2) and the amount already charged as so ascertained.

(5) If a deficiency repayment is due for any chargeable accounting period, the amount of E.P.T. repaid or otherwise allowed must not exceed the amount necessary to reduce the total E.P.T. chargeable for all chargeable accounting periods, including that in which the deficiency arose, to the N.D.C. that would have been chargeable for the same periods if E.P.T. had not been passed into law.

The above operates until March 31, 1942, when N.D.C. is due to cease.

An illustration is given in Table VI. In the year to November 30, 1941, the amount of E.P.T. repayable is limited to the difference between the total charged to date (whether N.D.C. or E.P.T.—in this case all E.P.T.) and the higher total tax which would have been payable if the two

taxes were not both in existence, i.e., to £9,600—£7,600 = £2,000. In the period to March 31, 1942, the total E.P.T. to date (ignoring N.D.C.) would have been £9,200, and as this is higher than the total N.D.C. (ignoring E.P.T.), E.P.T. is payable. As £9,600 has already been paid, less £2,000 repaid—that is, net £7,600—however, the amount chargeable is reduced to £9,200—£7,600 = £1,600.

EXAMINATIONS, 1940

It is the intention of the Society to hold examinations twice in the course of the year 1940. The precise dates cannot yet be announced, but it is hoped to hold the examinations as nearly as possible to the dates upon which they would normally be held. There will probably be two centres in England and Wales (not at the usual places), and there will be centres at Glasgow, Dublin, Belfast and in South Africa.

Prior to the outbreak of war it had been announced that as from May, 1940, the examinations would be based on a revised syllabus. In view of the existing circumstances, it has been decided that *the examinations in 1940, and until further notice, shall be based on the syllabus now in force, and the revised syllabus is held in abeyance*.

The scope of the subjects under the revised syllabus fully covers the requirements of the syllabus now in force, with the exception of Bankruptcy in the Intermediate Law paper. Intermediate candidates are specially advised, therefore, that no questions in Bankruptcy will be set in the Intermediate Law paper. They must be able, however, so far as the Accounts papers are concerned, to prepare and deal with accounts relating to Bankruptcy and deeds of arrangement.

BINDING OF "ACCOUNTANCY"

A handsome binding case in blue cloth, with gilt lettering, has been prepared for ACCOUNTANCY by T. Whittingham & Co., Ltd., the printers of this journal. Readers desiring their copies to be bound should send the issues comprising Volume 50 (October, 1938, to September, 1939), together with the index included with the last issue, to T. Whittingham & Co., Ltd., 50, Southwark Bridge Road, London, S.E.1. The price of binder and binding is 7s. 6d. Messrs. Whittingham will supply binding cases alone at a price of 2s. (2s. 3d. post free).

ACCOUNTANCY

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THE NEWEST DESPOTISM

"Allez à la bataille ! Tout le monde à la bataille !", cried Foch in the fateful year 1918. His war-cry can bear repetition to-day, but it needs a rather different interpretation. We have widened our ideas of the battlefield to include the industrial front at home ; we now place as much stress on fire-power as on man-power. The regiments of the line are joined in combat by the battalions of industrial workers ; those who command in the field are seconded by those who control the factory. The naval arm and the air arm depend upon an ever-growing supply of industrial material. The struggle in which we have engaged ourselves will probably go to him whose economic strength is the greater.

This enlargement of the sphere of warfare necessarily implies the most intimate concern of the Government with our economic life. To deny that necessity would be to misunderstand the whole nature of the present strife. The Government must obviously have powers to ensure the supplies of the fighting forces and to take whatever steps are necessary to that end. Any barrier to those powers must be removed as an intolerable impediment on our military capacity ; any selfish protest must be ignored. All who remain engaged in industry and commerce must combine to raise our economic output generally and to expand production in the directions required by the Government, who alone possess the full data on which to estimate requirements.

So much will be generally admitted. But at this point there emerge two possible policies for the conduct of the war on the home front. One policy entails reliance on business enterprise and business efficiency within the broad limits laid down by the necessity for satisfying Government requirements before private demands. This policy envisages a system of controls, where controls call forth a greater economic effort ; it accepts a system of priorities, where priorities ensure that resources in short-supply reach essential industries before non-essential ; it approves Government interference in every-day business, where that interference alone can produce the requisite upward movement in productivity.

But this policy does not entail Government intervention for its own sake regardless of its effects on industry and trade ; it does not condone the wholesale application of controls in markets where uncontrolled operations would be demonstrably more efficient and productive ; it does not agree that constant and inquisitorial Government supervision over a major part of the economic sector is the surest way to win the war.

Since the outbreak of hostilities the other policy has had almost undisputed sway in this country. Controls have been multiplied, seemingly without regard to the criterion of efficiency ; men experienced in the ways of their particular line of business have effectively been displaced by Government officials ; the deadening hand of officialdom has spread from one industry to another, without apparent thought being given to the question whether those already in charge in the industry could supply Government needs more expeditiously and economically. Even where the business man remains in control he finds himself subjected to all the paraphernalia of officialism which has made "red-tape" a synonym for inefficiency—the petty inquisitions and questionnaires, the imposition of trifling but vexatious regulations or fees ; the pantomime of obtaining official signature and counter-signature to official form and counterfoil.

The time has surely come when in the interests of the country's war efficiency a movement from this policy is required. The fall in exports last month amounted to no less than 42 per cent. of the figure for September of last year. Who can deny that a large part of the decline was due to the accumulation of applications for export licences on desks in Whitehall—awaiting not for days, but for weeks or even months, the official signature and counter-signature ? Who can rebut the charge that Customs formalities at the ports, largely a mere repetition of the formalities already imposed on the shipper and trader in London, are also responsible ? Who can question that a controlled metal market, grain market or tea market has proved less efficient than a free market would have been ? Who can deny that the regulations which fix prices or production in a long list of industries frequently act as a barrier to industrial expansion ? Who can condone the plans for "pooling" an increasing range of consumable commodities ?

Lord Hewart wrote his classic book *The New Despotism* a decade ago. It was a vigorous and impressive protest against the growing powers of bureaucracy. To-day the multiplication of war controls makes necessary a new and much enlarged edition of Lord Hewart's work. To secure the supplies of our fighting forces and our home population on the highest possible level we need nothing so much as a check on the powers of this newest despotism—the despotism of war-time bureaucracy.

The Emergency Acts and Orders

We give below a comprehensive guide to the war-time enactments and Orders which most concern the accountant. The summaries are not intended to be exhaustive but only to give the main content of an Act or Order, the full text of which should be consulted if details are required.

ACTS

Administration of Justice (Emergency Provisions) Act, 1939.

Administration of Justice (Emergency Provisions) (Scotland) Act, 1939.

Administration of Justice (Emergency Provisions) (Northern Ireland) Act, 1939.

Powers are given for decentralisation and removal of the Supreme Court and other courts. The Lord Chancellor may delegate some of his powers to Lords of Appeal in Ordinary or Judges of the Supreme Court. A jury may consist of seven persons. Civil matters are only to be tried by jury if the Court thinks it is essential. The period of remand for accused persons is extended. Vacancies in the Bench are not to be filled if the Lord Chancellor considers it unnecessary. The Scottish and Northern Ireland Acts contain analogous provisions.

Appropriation (No. 2) Act, 1939.

This Act makes the necessary provision for an issue of £500,000,000 out of the Consolidated Fund.

Armed Forces (Conditions of Service) Act, 1939.

Enlistments into the armed forces may be for the duration of the emergency instead of for a fixed period. The Territorial Army and the Auxiliary Air Force may be sent out of the United Kingdom. Members of the armed forces may be temporarily demobilised for service in a civilian capacity.

Compensation (Defence) Act, 1939.

Compensation is to be paid for property compulsorily requisitioned or purchased by the Government on the principles laid down in this Act. Disputes are to be referred to a Shipping Tribunal and a General Claims Tribunal. One member of the Shipping Tribunal is to have "special qualifications as an average adjuster or accountant."

Control of Employment Act, 1939.

The Minister of Labour is authorised to make orders forbidding the advertising of vacancies for, or the engagement or re-engagement without permission of, any employees or class of employees by any employers or class of employers. Draft orders must be referred to a committee containing representatives of employers and employees, and alternative employment must be available to employees affected.

Courts (Emergency Powers) Act, 1939.

Courts (Emergency Powers) (Scotland) Act, 1939.

Possession of Mortgaged Land (Emergency Provisions) Act, 1939.

Leave of the Court is required for enforcement of remedies in respect of debts arising before September 1, 1939. Similar restrictions apply to levying of distress, appointment of a receiver, foreclosure, possession of mortgaged land, and procedure in bankruptcy and winding-up. The Court may refuse leave or impose conditions if the default is attributable to the war. (See ACCOUNTANCY, October, 1939, pages 4-5.)

Currency (Defence) Act, 1939.

The Treasury is given wider powers in dealing with the Exchange Equalisation Account, the amount of which is now unlimited. Postal orders are temporarily legal tender, and notes of banks in Scotland and Northern Ireland are temporarily legal tender in Scotland and Northern Ireland respectively. Any loan granted by the Bank of England by arrangement with the Government after August 28, 1939, is made a floating charge on the assets of the borrower in priority to other floating charges.

Emergency Powers (Defence) Act, 1939.

Defence Regulations may be made by Order in Council, particularly for the detention and trial of persons in the interests of public safety, taking possession of property and undertakings, entry and search of premises, and amending or suspending any enactment. Any authorities or persons may be authorised to make rules under the Act. There are provisions for extra-territorial operation of Regulations. Courts may hear proceedings in camera in the interests of public safety or defence.

Essential Buildings and Plant (Repair of War Damage) Act, 1939.

Where a building (not used solely for housing) or plant essential to the welfare of the civil population is damaged by war, and the owner is either a local authority or unable for financial reasons to effect the necessary repairs, the appropriate Minister may lend money for the purpose. The Act applies to Scotland. (See ACCOUNTANCY, October, 1939, page 19.)

Exchequer and Audit Departments (Temporary Provisions) Act, 1939.

Issues and transfers may be made from the Consolidated Fund without credits by the Comptroller and Auditor-General. Warrants authorising the issue of Treasury bills need not be countersigned.

Execution of Trusts (Emergency Provisions) Act, 1939.

Trustees and personal representatives are given power to delegate their functions if they are unable to act owing to war service, or if they are abroad and cannot return owing to the war. Those who do so are relieved of liability for anything done by the acting trustee.

Finance (No. 2) Act, 1939.

See ACCOUNTANCY, October 1939 pages 8 to 12, and November 1939, pages 28 to 35.

Government and Other Stocks (Emergency Provisions) Act, 1939.

Inscribed stocks are made transferable by instrument in writing. The time for payment of coupons payable at the Bank of England may be extended if it is necessary owing to physical conditions arising from the war.

Housing (Emergency Powers) Act, 1939.

Local authorities are given powers to repair war damage to houses if it is necessary owing to lack of housing accommodation. (See ACCOUNTANCY, October, 1939, page 19.)

Import Duties (Emergency Provisions) Act, 1939.

The Treasury may make Orders or grant licences without a recommendation from the Import Duties Advisory Committee.

Import, Export and Customs Powers (Defence) Act, 1939.

The Board of Trade is given powers of prohibition and licensing over the import and export of goods.

Income Tax Procedure (Emergency Provisions) Act, 1939.

The Commissioners of Inland Revenue may transfer the functions of any General Commissioners to other General Commissioners or to the Special Commissioners, and those of the assessor or the Additional Commissioners of any area to the surveyor. The Act does not extend to Northern Ireland. (See ACCOUNTANCY, October, 1939, page 12.)

Isle of Man (War Legislation) Act, 1939.

United Kingdom legislation dealing with the defence of the realm may be extended to the Isle of Man by Order in Council.

*Landlord and Tenant (War Damage) Act, 1939.**War Damage to Land (Scotland) Act, 1939.*

An obligation to repair imposed by a disposition or contract does not apply in respect of war damage. A tenant must notify his landlord of war damage and allow him entry for inspection and repair. The cost of repair of settled land may be paid out of capital. A tenant under a lease may disclaim the lease, or retain it on the condition that he repairs the damage as soon as is reasonably practicable. The landlord may avoid disclaimer by himself undertaking the repairs. In either case no rent is payable until the land is rendered fit.

Liability for War Damage (Miscellaneous Provisions) Act, 1939.

Bailees are relieved from liability in respect of war damage to goods in their possession. This applies to hire-purchase agreements covered by the 1938 Act, or hirings for less than £20 a year, even if the contract expressly places liability for war damage on the bailee.

Local Elections and Register of Electors (Temporary Provisions) Act, 1939.

Local elections are suspended until the end of 1940. The term of office of existing aldermen, councillors and elective auditors is continued, and vacancies caused by resignation or death are to be filled by co-option.

Local Government Staffs (War Service) Act, 1939.

Local authorities and certain other authorities are given power to make up the pay of their employees who undertake war service to the amount of their civilian salaries. War service is to be counted for superannuation purposes. Civil defence service under a local authority is not incompatible with membership of the authority.

Ministers of the Crown (Emergency Appointments) Act, 1939.

Provision is made for additional Ministers and Under-Secretaries to be appointed in time of war.

National Health Insurance and Contributory Pensions (Emergency Provisions) Act, 1939.

Persons insured under the national health and contributory pensions insurance scheme are protected against loss of benefit while serving in the armed forces or other war occupations. The Act provides against the payment of double compensation in respect of death

or injury due to war. No new certificates of exemption are to be issued.

National Registration Act, 1939.

A Register is to be maintained by the Registrar-General of all persons in the United Kingdom. Each registered person is to have an identity card, which must be produced if it has been asked for by a constable in uniform or other authorised person.

National Service (Armed Forces) Act, 1939.

Proclamations may be made rendering male British subjects in Great Britain of specified ages between eighteen and forty-one liable to be called up for service in the armed forces. Provisions governing registration and subsequent procedure, conscientious objectors, and reinstatement in civil employment are similar to those in the Military Training Act. Postponement of liability may be granted for exceptional hardships, subject to cancellation if the gravity of the situation requires it.

Navy and Marines (Wills) Act, 1939.

Naval ratings and marines are given the right to make a verbal or an informal will, which is already possessed by soldiers and merchant seamen.

Patents, Designs, Copyright and Trade Marks (Emergency Act, 1939.

Powers are given to the Comptroller-General of Patents, Designs and Trade Marks to grant licences to use patents, etc., owned by enemies or enemy subjects.

Pensions (Navy, Army, Air Force and Mercantile Marine) Act, 1939.

The administration of pensions in respect of death or disablement due to service in the armed forces in the present war is placed under the Minister of Pensions. The Minister is also empowered to apply naval rates of compensation to the mercantile marine.

Personal Injuries (Emergency Provisions) Act, 1939.

Grants may be made, under a scheme formulated by the Minister of Pensions, to or in respect of civil defence volunteers killed or injured in the course of their duty, and also as compensation for death or injury sustained as a result of air raids or other war operations by civilians ordinarily dependent on their earnings.

Police and Firemen (War Service) Act, 1939.

The pay of police and firemen serving in any of the forces may be made up, and provision is made for the continuity of their pension rights.

Prices of Goods Bill.

"Price-regulated goods," as defined in orders to be made by the Board of Trade, may not be sold at more than the basic price (normally the price on August 1, 1939) increased to cover the costs and expenses specified in a Schedule, or in an order made by the Board. The Board may specify the basic price, the permitted increase, or the permitted price for any goods. Powers are given to the Board of Trade to appoint a Central Price Regulation Committee and a number of local Committees to enforce the provisions. These Committees may require the production of accounts, books and other documents. (See ACCOUNTANCY, November, 1939, page 27.)

Prize Act, 1939.

Prize law is to apply to aircraft in the same manner as to shipping. Prize courts may be established in mandated territories and protectorates.

Regional Commissioners Act, 1939.

Regional Commissioners, and in Scotland District Commissioners, and their Deputies may be paid from public funds. They are not disqualified from membership of the House of Commons.

Rent and Mortgage Interest Restrictions Act, 1939.

The Rent and Mortgage Interest Restrictions Acts, 1920 to 1938, are continued until six months after the end of the emergency. Control is extended to all houses with a rateable value of not more than £100 in London, £90 in Scotland, and £75 elsewhere. (See ACCOUNTANCY, October, 1939, page 5.)

Sheriff Courts (Scotland) Act, 1939.

An interim appointment may be made where a sheriff-substitute is absent for any reasonable cause.

Ships and Aircraft (Transfer Restriction) Act, 1939.

The transfer or mortgage of ships and aircraft or parts of aircraft is unlawful except by sanction of the Board of Trade or the Air Ministry.

*Teachers' Superannuation (War Service) Act, 1939.**Education (Scotland) (War Service Superannuation) Act, 1939.*

Teachers may count war service as teaching service for superannuation purposes. If the war pay is not less than the civil pay, or if the difference is made up by the employer, contributions continue to be payable.

Trading with the Enemy Act, 1939.

No business may be transacted, except by official permission, with persons or businesses resident in enemy territory, including territory occupied by enemy forces.

Unemployment Assistance (Emergency Powers) Act, 1939.

Allowances may be paid to persons outside the scope of normal unemployment assistance who are in distress through circumstances caused by the war. The Minister of Labour is given powers similar to those conferred by the Unemployment Insurance (Emergency Powers) Act.

Unemployment Insurance (Emergency Powers) Act, 1939.

The Minister of Labour may make regulations modifying the unemployment insurance scheme, but no change may be made by regulations in the rates of benefit and contribution, the Exchequer contribution, or the provisions relating to Treasury advances to the Unemployment Insurance Fund.

ORDERS**ALIENS REGISTRATION***No. 1059.—Direction, dated September 1, 1939.*

An alien registered under the Aliens Order, 1920, must furnish the address of his business or employment.

CIVIL DEFENCE*No. 906.—Civil Defence (Air-Raid Shelter, Standards of Expenditure) Regulations, 1939.**No. 920.—Air-Raid Shelters for persons working in Factories, Mines and Commercial Buildings. Revised Code, August, 1939.*

Expenditure on air-raid shelters provided under the Civil Defence Act, 1939, will not normally rank for grant at a higher rate than £7 per head of the persons for whom shelter must be provided if the shelter is in or adjoining a building, and £3 10s. per head otherwise.

The Code prescribes standards of lateral and overhead protection, protection from falling debris, and space per person. Shelters for more than twelve persons must be capable of being rendered gas-proof. No section of a

shelter or trench should accommodate more than 50 persons. Shelters must be boldly marked and accessible, with adequate entrances and exits, drainage, sanitary facilities, and lighting. No dangerous pipes may be in the shelter. Advice and illustrations are included for the construction of shelters of various types.

COMPENSATION*No. 1296.—Compensation (Defence) Notice of Claim Rules, 1939.**No. 1297.—Interest on Compensation (Defence) Order.*

Claims under the Compensation (Defence) Act, 1939, except in relation to vessels or aircraft, must be made in the forms set out. Compensation carries interest at 4 per cent. per annum.

COMMODITIES

There are many orders fixing maximum prices for a great number of commodities, requisitioning or controlling them, or licensing persons producing them.

COMMENCEMENT OF ENACTMENTS*No. 877.—The Ministry of Supply (Transfer of Powers) (No. 1) Order, 1939.**No. 1298.—The Ministry of Supply (Transfer of Powers) (No. 2) Order, 1939.*

The Ministry of Supply is given control over munitions for the army, fertilisers for land, and petroleum, and may take certain other powers by agreement with any of the Defence Departments or the Office of Works.

COURTS*No. 995/L.14.—Courts (Emergency Powers) Rules, 1939.**No. 1223/L.21.—Courts (Emergency Powers) (No. 2) Rules, 1939.**No. 996/L.15.—County Court (Emergency Powers) Rules, 1939.*

The appropriate court for giving the leave required under each of the various provisions of the Courts (Emergency Powers) Act is defined, and procedure and forms are prescribed.

*No. 1351/L.22.—County Court (No. 2) Rules, 1939.**No. 1021/L.18.—County Courts (Emergency Vacation) Order, 1939.**No. 1210/L.20.—County Courts (Emergency Provisions) Order, 1939.*

County Court offices are to close at 3.30 p.m. Certain County Courts were adjourned for the first fortnight of September. Three County Courts are discontinued and their districts consolidated with others.

No. 1017/L.16.—Rent (Restrictions) Rules, 1939.

The Increase of Rent and Mortgage Interest (Restrictions) Rules, 1920, as amended, apply to proceedings under any of the Acts, including the Act of 1939.

No. 1020/L.17.—Royal Courts of Justice (Vacation) Order, 1939.

A vacation judge may hear proceedings at his residence or elsewhere. A defendant in an action commenced in a District Registry cannot transfer the action to London without leave.

DEFENCE*Nos. 927, 978, 1049, 1184/5, and 1234.—The Defence Regulations.*

Regulations under the Emergency Powers (Defence) Act, 1939, restrain unauthorised assumption of official status, spreading of information, interference with communications and other essential services, entry to

prohibited places, and other matters. There are powers for evacuation, billeting, control of lighting, public utilities and transport, taking possession of land and requisitioning of other property, control of industry and of prices, requiring persons carrying on trade or business to keep and produce accounts and records, exemptions from the Factories Acts, control of agriculture, entry upon land for official purposes, and search of premises and vehicles.

EXPORTS

No. 945.—*Export of Goods (Prohibition) Order, 1939.*
 No. 1024.—*Export of Goods (Prohibition) (No. 2) Order, 1939.*
 No. 1239.—*Export of Goods (Prohibition) (No. 2) Order, 1939, Amendment Order, 1939.*
 No. 1246.—*Export of Goods (Prohibition) (No. 2) Order, 1939, Amendment (No. 2) Order, 1939.*
 No. 1374.—*Export of Goods (Prohibition) (No. 2) Order, 1939, Amendment (No. 3) Order, 1939.*

The export of a number of metals and other substances is prohibited except by licence.

A long list of foods, raw materials, manufactured goods, horses and animals for breeding, is divided into three categories:—A, prohibited to be exported irrespective of destination; B, prohibited except to a British Dominion or Protectorate; C, prohibited to any destination in Europe or on the Mediterranean or the Black Sea, which is not British or French territory.

FINANCE

No. 1067.—*Defence (Finance) Regulations Amendment Order, 1939.*
 No. 1251.—*Defence (Finance) (No. 2) Regulations, 1939.*
 No. 1186.—*Defence (Finance) Regulations (Isle of Man) Amendment Order, 1939.*
 [Regulations Nos. 950 and 1048 are superseded.]
 No. 1168.—*Currency Restrictions Exemption Order, 1939.*
 No. 1345.—*Currency Restrictions Exemption (No. 2) Order, 1939.*
 No. 1206.—*Currency Restrictions (Travellers' Exemption) Order, 1939.*
 No. 1007.—*Capital Issues (Exemptions) Order, 1939.*
 No. 1291.—*Capital Issues (Exemptions) No. 2 Order, 1939.*
 No. 966.—*Securities (Restrictions and Returns) Order, 1939.*
 No. 1300.—*Securities (Restrictions and Returns) Amendment Order, 1939.*

The sale, transfer or creation of a charge on securities payable in certain foreign currencies is prohibited, and returns of holdings must be made to the Bank of England. The Treasury may acquire any securities covered by the prohibition at the market price. Control is established over transactions in gold and foreign currencies and the export of money and securities. Gold and foreign currencies designated for the purpose must be offered for sale to the Treasury. Capital issues, subject to a number of exemptions, are forbidden except by consent of the Treasury.

(See ACCOUNTANCY, October, 1939, pages 2-3.)

No. 1381.—*Defence (Grants and Loans) Regulations, 1939.*

The Minister of Transport is released from commitments to make advances from the Road Fund.

No. 1113.—*Defence (Savings Banks) Regulations, 1939.*

No. 1236.—*Defence (Savings Banks) Regulations Amendment Order, 1939.*

Subsection 6 (1) of the Savings Bank Act, 1920, which provides for Regulations to be laid before Parliament, is suspended. Trustee savings banks may issue drafts for £3, to be cashed at any office of a trustee savings bank or at a post office.

No. 1427.—*Securities (Restrictions and Returns) (No. 2) Order, 1939.*

No. 1428.—*Acquisition of Securities Order, 1939.*
Acquisition of Securities. Treasury Directions.

All holdings of Government of Canada 3½ per cent. Stock, 1930-1950, are compulsorily acquired by the Treasury at the price of £100 13s. 5d. per £100 stock. Bearer certificates and coupons, and register certificates with a transfer in blank, must be sent forthwith to the Bank of England.

FOOD

No. 1103.—*Food (Conditions of Sale) Order, 1939.*

The vendor of an article of food or drink for human consumption is forbidden to impose any condition relating to the purchase of any other article.

HOUSING

Provisional.—Housing (Repair of War Damage) Regulations, 1939.

No. 1094-S87.—*Housing (Repair of War Damage) Regulations (Scotland), 1939.*

A form is prescribed for use by a local authority to give notice of its intention to repair war damage to a building.

IMPORTS

The goods specified in these Orders may not be imported into the United Kingdom except by licence of the Board of Trade, unless they come from the Channel Islands.

No. 1054.—*Import of Goods (Prohibition) (No. 1) Order, 1939.*

No. 1344.—*Import of Goods (Prohibition) (No. 2) Order, 1939.*

No. 1433.—*Import of Goods (Prohibition) (No. 3) Order, 1939.*

NATIONAL SERVICE

No. 1099.—*National Service (Armed Forces) (Prevention of Evasion) Regulations, 1939.*

No. 1120.—*National Service (Armed Forces) (Miscellaneous) Regulations, 1939.*

No. 1326.—*National Service (Armed Forces) Proclamation, dated October 1, 1939.*

Employers are restrained from dismissing an employee because he is or may be liable to military service, or to evade the obligation to reinstate him in civilian employment.

Procedure is laid down for registration for military service or as a conscientious objector, medical examination, and applications for postponement of liability. Men between the ages of 20 and 22 years on October 1, 1939, are declared by proclamation to be liable to be called up for service in the armed forces.

PASSENGER TRAFFIC

No. 1095.—*Passenger Traffic (Northern Ireland) Order, 1939.*

No. 1096.—*Passenger Traffic Order, 1939.*

British subjects travelling to or from the United

Kingdom, or between Great Britain and Northern Ireland, must have permits and must obtain the leave of an immigration officer. They must embark and disembark at approved places.

PATENTS

No. 1375.—*Patents, Designs, Copyright and Trade Marks (Emergency) Rules, 1939.*

The procedure is set out for applications under the Patents, Designs, Copyright and Trade Marks (Emergency) Act, 1939, with table of fees and forms.

PENSIONS

No. 1143.—*Personal Injuries (Civilians) Scheme, 1939.*

Rates and conditions are prescribed for the award of pensions and allowances under the Personal Injuries (Emergency Provisions) Act, 1939. The maximum weekly pension for completely disabled persons over 21 without dependants is 22s. 6d. for a woman, and 32s. 6d. for a man.

TRANSPORT

No. 1197.—*Railway Control Order, 1939.*

The undertakings of the railway companies and the London Passenger Board pass under the control of the Minister of Transport, and are to be administered by a Railway Executive Committee under the chairmanship of Sir Ralph Wedgwood.

SUPPLY

No. 1080.—*Priority of Work Order, 1939.*

A Government Department may, if so authorised by the Ministry of Supply, issue principal and subsidiary priority certificates in respect of an order for work or materials. Certificates may be Class A, Class B, or Class C, according to the degree of priority. Contractors must then give priority to the order concerned over all other work. Contractors desiring to obtain priority certificates should apply to the Department concerned with the order.

TRADING WITH THE ENEMY

No. 1112.—*Patents, Designs and Trade Marks. General Licence, September 7, 1939.*

Payments may be made (1) on behalf of a non-enemy for obtaining or renewing patents, designs or trade marks in enemy territory; (2) on behalf of an enemy, if funds are held on his behalf, to obtain a grant or renewal of patents, designs or trade marks.

No. 1390.—*Freights. General Licence, October 9, 1939.*

The owner of cargo in a ship at a port not in enemy territory may pay necessary charges to an enemy in order to obtain possession of the cargo.

No. 1195.—*Order in Council as to Commencement of the Trading with the Enemy Act, 1939.*

The Act is deemed to have come into force on September 3, 1939.

No. 1166.—*Trading with the Enemy (Specified Persons) Order, 1939.*

No. 1333.—*Trading with the Enemy (Specified Persons) (Amendment) Order, 1939.*

The persons and businesses listed in these Orders are deemed to be enemies for the purpose of the Trading with the Enemy Act, 1939.

No. 1198.—*Trading with the Enemy (Custodian) Order, September 16, 1939.*

Particulars must be furnished of property, shares, etc., owned by an enemy or enemy subject, and money

due to an enemy must be paid to the Custodian of Enemy Property in England, Scotland, or Ireland. These are respectively the Public Trustee, the Accountant of Court, at Edinburgh, and the Official Assignee in Bankruptcy at Belfast. (See ACCOUNTANCY, October, 1939, page 3.)

UNEMPLOYMENT ASSISTANCE

No. 1146.—*Unemployment Assistance (Issue of Allowances and Appeals Tribunals) Regulations, 1939.*

No. 1147.—*Unemployment Assistance (Prevention and Relief of Distress) Regulations, 1939.*

Provisional.—*Unemployment Assistance (Appeals Tribunals) (Amendment) Provisional Rules, 1939.*

Allowances may be paid to persons over 16 who are in distress as a result of evacuation or loss of employment caused by the war. The chairman of an appeal tribunal is competent to act alone, and majority decisions of a tribunal are valid. Notice of appeal must be given within fourteen days.

UNEMPLOYMENT INSURANCE

No. 1148.—*Unemployment Insurance (Emergency Powers) Regulations, 1939.*

No. 1314.—*Unemployment Insurance (Insurance Industry Special Scheme) (Variation) Order, 1939.*

Certain provisions of the Unemployment Insurance Acts are suspended or modified, including the issue of certificates of excepted employment and of certificates of exemption, the period for which benefit is payable, and the conditions for child allowance. Provision of accommodation and board for evacuees is not to be deemed an occupation of profit. Employers unable to obtain stamps may deduct the employees' contributions if they obtain permission and keep records of the amounts due.

WAR RISKS INSURANCE

No. 930.—*Commodity Insurance (Registration) Order, 1939.*

Forms are given for the registration of stocks before war broke out.

No. 1062.—*War Risks (Commodity Insurance) (No. 1) Order, 1939.*

No. 1063.—*War Risks (Commodity Insurance) (No. 2) Order, 1939.*

No. 1064.—*War Risks (Compulsory Insurance of Commodities) Order, 1939.*

No. 1235.—*Defence (War Risks Insurance) Regulations, 1939.*

No. 1245.—*War Risks Insurance (General Exceptions) Order, 1939.*

No. 1441.—*War Risks Insurance (General Exceptions) (No. 2) Order, 1939.*

All traders whose stocks are of a total value of £1,000 or more must take out a policy of war risks insurance issued by the Board of Trade. The text of the policy is given, and the premium is fixed at $\frac{1}{2}$ per cent. per month for the first three months, with remission of premium for one month. Exceptions include growing crops, livestock, goods subject to hire-purchase agreements, coal, ores, bricks, cement, slates, certain forms of iron and steel and other metals, precious metals, jewels, works of art, and books over 50 years old. (See ACCOUNTANCY, October, 1939, page 2, and November, 1939, page 26).

TAXATION**TAXATION NOTES****Relief for Diminution in Earned Income, 1939-40.**

The "preceding year" basis of assessment on earned income hits the taxpayer hard when a diminution in income is coupled with an increase of tax. To alleviate this hardship, the Finance (No. 2) Act, 1939, provides that if an individual can show that, owing to circumstances directly or indirectly connected with the present war, his actual earned income for 1939-40 is not more than 80 per cent. of his earned income as assessed, he is entitled to relief, by reduction of the second instalment due on July 1, 1940, or by repayment. Earned income means income charged under Schedules B, D, and E.

The relief is such as will reduce his income tax payable (ignoring surtax) to the tax he would have paid if his earned income had been assessed on "actual," but if his actual earned income for 1938-39 exceeded his earned income as assessed for that year, the additional income tax (*including* surtax), which assessment on the actual earned income for 1938-39 would involve, is to be deducted from the relief for 1939-40. Where relief is so given, surtax for 1939-40 will be assessed on the basis of his actual earned income, but if the additional income tax (including sur-tax) for 1938-39 exceeds the relief due for 1939-40, the excess will be added to the surtax payable for 1939-40.

Marginal relief is provided, in that if the actual earned income for 1939-40 slightly exceeds 80 per cent. of the earned income as assessed, relief will be given as if it were exactly 80 per cent., but will be reduced by the amount by which the income exceeds that figure. Surtax will then be assessed as if the earned income were exactly such 80 per cent. The full income is to be computed before deducting relief for wear and tear allowances or losses brought forward, and the amounts so brought forward deducted from the revised assessments.

The claim for relief must be made not later than April 5, 1941. Sufficient income must be kept in charge to cover annual payments.

Illustration—Marginal Relief.

Earned income, 1937-38 (assessed 1938-39)	£1,400
1938-39 (assessed 1939-40)	£1,600
1939-40 ...	1,300
Unearned income £1,000 per annum.	
Original Assessment, 1939-40 ...	£1,600
Allowances : Earned ... £300	
Personal ... 180	
2 children 120	
	600
	£1,000
£135 at 2s. 4d.	15 15 0
865 at 7s.	302 15 0
	318 10 0

Carried Forward	... £318 10 0
Amended assessment ...	1,300
Less Margin to reduce to 80 per cent. of £1,600 ...	20
	1,280
Allowances : Earned ...	256
Personal ...	180
Children ...	120
	556
	£724
£135 at 2s. 4d.	£15 15 0
589 at 7s.	206 3 0
Margin ...	20 0 0
	241 18 0
Relief	76 12 0
Deduct : Increase in 1938-39 earned income ...	200
Less Earned Income Relief (£300 less allowed £280) ...	20
	180
Sur-tax :	at 5s. 6d = 49 10 0
(Total income £2,600 compared with £2,400) :	
£100 at 1s. 3d.	£6 5 0
£100 at 1s. 6d.	7 10 0
	13 15 0
	63 5 0
Net Relief	£13 7 0
The tax payable on earned income will therefore be as follows :	
January 1, 1940 ...	159 5 0
July 1, 1940 ...	159 5 0
Less Relief ...	13 7 0
	145 18 0
	305 3 0

Amendment in Life Assurance Relief, 1939-40.

The reduced rate of income tax having been increased to 2s. 4d. on the first £135 of taxable income, the life assurance relief is correspondingly affected in respect of the amount of premiums in excess of the amount by which the taxable income exceeds £135.

Illustration :

Taxable income ...	... £150
Life Assurance Premiums allowable ...	20
Life Assurance relief will be £15 at 3s. 6d. ...	... £2 12 6
Plus £5 at 2s. 4d. ...	0 11 8
Total Life Assurance relief	£3 4 2

Amendment of Relief already granted, 1939-40.

Where a taxpayer has had relief by reduction of an assessment already made by reference to the rates originally exacted by the Finance Acts, 1939, the amount of tax payable is automatically amended. If relief has already been given in any other way, any excess relief, if not otherwise made good, can be assessed under Case VI, Schedule D.

10 0

Deduction of Tax at Source.

The increase in the rate of tax from 5s. 6d. to 7s. will make necessary certain adjustments in respect of payments in 1939-40 from which tax has been deducted at 5s. 6d. To meet cases where dividend warrants, etc., had already been printed, it is provided that deductions at 5s. 6d. could still continue until October 31, 1939. On the other hand, the Finance (No. 2) Act, 1939, validates deductions, made before it was passed, by reference to the 7s. rate.

Any tax under-deducted before November 1, 1939, can, by Sections 7 and 10 and 6th Schedule, Finance (No. 2) Act, 1939, be made good by deducting the deficiency from the next payment, except in the case of dividends on ordinary shares, in which case there is no provision for making good the deficiency, but to find the gross dividend the shareholder must gross up the actual net amount received for the year 1939-40 as if tax at 7s. had been deducted throughout in arriving at the net dividend (Section 12, Finance Act, 1930).

In the case of income chargeable under Schedule C, under Miscellaneous Rules 6 or 7, Schedule D, or under General Rule 21, the under-deduction is to be made good by increasing the deduction from the next, and, if necessary, from subsequent payments made before November 1, 1940. If no subsequent

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payment is made, Section 211 (1) of the Income Tax Act, 1918, applies, and the under-deduction can be assessed under Case VI, the agent or other person by or through whom the payments were made being required to furnish lists to the Commissioners of Inland Revenue.

In the case of preference dividends, ground rents, mineral rents, etc., patent royalties, copyright royalties paid to persons abroad, interest, annuities, and other annual payments (other than those included above), if there is no future payment so that the under-deduction cannot be made good, the sum under-deducted can be recovered by the payer from the payee.

A preference dividend is one payable at a fixed gross rate per cent. In the case of participating preferred shares, only the dividend payable at a fixed gross rate is a preference dividend. The balance is regarded as an ordinary dividend (Section 12, Finance Act, 1930).

Illustration.

(1) Preference dividends or debenture interest payable June 30 and December 31, 1939. Tax was deducted at 5s. 6d. in June, and will be deductible at 8s. 6d. in December, making 7s. for the year.

(2) Ordinary dividends of £1,000 paid on the above dates. Tax was deducted at 5s. 6d. in June, tax will be deductible at 7s. in December; net amounts £725 and £650. Shareholders will be regarded as receiving £1,375 net, with tax deducted at 7s., or £2,115 gross.

LAW**Legal Notes****EXECUTORSHIP LAW AND TRUSTS**

Improvements under Settled Land Act, 1925, Schedule III, Part I—Alterations for purpose of letting premises—Conversion of house into shops and flats—Costs payable out of capital.

In order that improvements may be paid for out of capital in the case of settled land, they must either fall within the improvements enumerated in the Settled Land Act, 1925, or be specifically authorised by the settlement. One authorised improvement to be paid out of capital money is "additions to or alterations in buildings reasonably necessary or proper to enable the same to be let." It was decided in *Stanford v. Roberts* (1901, 1 Ch. 440), that the words "reasonably necessary and proper" mean something which, though not absolutely necessary, a reasonable and prudent owner of property, if he were the absolute owner, would do to make his house habitable, and that a new floor was reasonably necessary and proper within the Section. It was also held that the jurisdiction under that Section to order the application of capital money in payment for any alterations, depended not upon whether there was to be an immediate letting, but upon whether there was a present intention to let the premises as dis-

tinguished from an intention to occupy them. In the recent case of *re Swanwick House* (1939, 3 All E.R. 531) the tenant for life of settled property comprising a Georgian dwelling-house (formerly let at a rent of £90 per annum but unoccupied at the time of the summons), a cottage and a shop, desired to convert the premises into residential flats and shops with a view to increasing the rental value thereof. Simonds, J., held that the proposed conversion was an improvement within the Settled Land Act and granted the application for a direction that the cost of such conversion should be paid out of capital in the hands of the trustee of the settlement.

Will—Gift to Vicar and Churchwardens "for Parish work"—Not a good Charitable bequest, but held void.

Testators who wish to make charitable bequests must either:—

(a) ascertain that the beneficiaries are charities in the technical sense, or

(b) make capital bequests without any indication of the purposes for which the gifts are intended.

Bequests for "benevolent purposes" or expressed to be for "patriotic, philanthropic, religious or parochial

purposes," are not charitable and would fail for uncertainty. In the recent case of *Farley and Others v. Westminster Bank, Ltd. and Others*, (1939, 3 All E.R. 491), the House of Lords determined that a testatrix had not made a valid gift when she left her residuary estate "upon trust in equal shares for St. Clements' Mission, Notting Dale, for their mission work, the Society for the Propagation of the Gospel in Foreign Parts, to the vicar and churchwardens of St. Columba's Church Hoxton (for parish work), and the vicar and churchwardens of St. Cuthbert's Church Kensington (for parish work)." The question arose whether the two gifts "for parish work" were valid. In his judgment Lord Atkin said, "This case is a warning to those persons who desire to make wills with a benevolent intention, giving legacies for charitable purposes in the broad sense of the words, that they should make it clear that their objects are within the legal definition of charity and are certain."

Had these gifts been merely "to the vicar and churchwardens of St. Columba's Church" and "to the vicar and churchwardens of St. Cuthbert's Church" without any words indicating the purpose for which the money was to be spent, they would have constituted good charitable bequests. Lord Atkin pointed out that the expression "Parish work" covers the whole of the ordinary activities of the parish, only some of which would fall within the definition of religious purposes. The words could not be cut down or limited either by construing them in isolation or by reference to the character of the trustees. Therefore the gifts for "parish work" were void.

Construction of Wills—Meaning of (a) "my securities" (b) "remainder of the money."

In the recent case of *re Smithers* (1939, 3 All E.R. 689) Crossman, J., decided two interesting points of construction arising out of a home-made will which the testatrix executed on a printed will form. The first point arose out of her bequest "to my son B. S.

when my securities have been converted into cash, two-thirds of the proceeds." Of the estate of £2,812, £984 consisted of stocks, shares and bonds, including in addition to Government stock, ordinary and preference industrial shares. The question was raised whether "my securities" comprised the industrial shares as well as the Government stock. It is well settled that the primary meaning of the word "securities" denotes a debt or claim the payment of which is in some way secured. The security will generally consist of a right to resort to some fund or property for payment. The meaning can be enlarged by an interpretation clause in a Statute, or the context may show that the word is used in a wider sense, to denote also other investments, such as stocks and shares. But in the absence of any such aid to interpretation, the word "securities" must be construed strictly and does not include shares or stock in a company, though it would of course include debentures. There have been several cases where the Court has found sufficient context in wills to construe securities in the wider sense. In the present case, however, Crossman, J., found nothing in the context to displace the primary meaning. He therefore declared that "my securities" in that will did not include the industrial shares. The will continued, "to my son H. O. S. £500; to my son L. S. the remainder of the money." It was argued on behalf of L. S. that the remainder of the money meant the residuary personal estate, because there was a previous direction for the payment of debts and funeral and testamentary expenses, and that "the remainder of the money" must be the remainder after taking something out (which could only be the debts and expenses as well as the legacy of £500). On the other hand it was argued that the previous reference to the proceeds of sale of "my securities" was sufficient context to make the remainder of the money mean the remainder of those proceeds of sale. Applying the general rule of construction, the Judge held that the gift to L. S. was a gift of the residuary personal estate.

FINANCE

The Month in the City

The Thaw in Gilt-Edged

In the past month the Stock Exchange has given a remarkable exhibition of resiliency. Up to the end of September holders of gilt-edged were still lining up in a vain effort to dispose of their holdings at the official minimum prices. The resulting paralysis of the gilt-edged market, coupled with the uncertainties obtaining in many industries and in the taxation outlook, led to some pressure to liquidate leading industrial shares and at one time the *Financial News* Index dipped to 66.4, as compared with 77.5 on the outbreak of war.

During October the appearance of markets has been revolutionised. Following the reduction in Bank Rate from 4 per cent. to 3 per cent., and then to 2 per cent., the gilt-edged market began to thaw and the readier negotiability of Government securities stimulated a revival in other sections. Once the unfreezing process had been completed, the general tone of markets became positively buoyant. Even before the further reduction in Bank rate to 2 per cent., War Loan (which first struggled above the official minimum only on October 12) had shot up by close on 5 points, while

cash, rate of bonds, ordinary man was the stock. of the the pay- security some thing can statute, and in a such of any "cities" include a small of several ext in e. In found primary securi- shares. to my argued money there debts al that remainder be the £500). previous "cities" of the f sale. Judge duary

the rise in Local Loans, another irredeemable stock, was as much as 6 points.

	Oct. 23	Sept. 22	Change
War Loan ...	92 $\frac{1}{2}$	88 $\frac{1}{2}$ *	+ 3 $\frac{1}{2}$
Local Loans ...	78 $\frac{1}{2}$	73 $\frac{1}{2}$ *	+ 4 $\frac{1}{2}$
Nat. Defence Loan 2 $\frac{1}{2}\%$			
1944-8 ...	95 $\frac{1}{2}$	94 $\frac{1}{2}$ *	+ 1 $\frac{1}{2}$
German 5%	9	5	+ 4
G.W. Ord.	29 $\frac{1}{2}$	25	+ 4 $\frac{1}{2}$
Bristol Aircraft	16/9	14/9	+ 2/-
Bass	5 $\frac{1}{2}$	4 $\frac{1}{2}$	+ $\frac{1}{2}$
Imperial Tobacco	5 $\frac{1}{2}$	5 $\frac{1}{2}$	+ $\frac{1}{2}$
English Electric	30/-	26/9	+ 3/3
Hawthorn Leslie	19/9	17/-	+ 2/9
Turner & Newall	3 $\frac{1}{2}$	3 $\frac{1}{2}$	+ $\frac{1}{2}$
Courtauld	28/3	26/3	+ 2/-
Furness Withy	21 $\frac{1}{4}$	20/6	+ 1/10 $\frac{1}{2}$
Crown Mines	12 $\frac{1}{2}$	14 $\frac{1}{2}$	- 2
Rhodesian Selection	15/-	16/3	- 1/3
Apex Trinidad	28/-	28/6	- 0/6

Return to Cheap Money

For this speedy restoration of the market's health, investors have to thank the tonic effect of easy money, liberally applied. In the early days of the war the pressure to liquidate securities was due to an actual stringency of credit, as well as mere nervousness; while so long as the 4 per cent. bank rate held the yield on Treasury bills at a level which a few months earlier would have been considered generous on an irredeemable stock, any hope of free dealings in long-term securities at the minimum prices could be dismissed. It was the reduction in bank rate to 3 per cent. which started the recovery, and although the authorities made no further reduction for some weeks they nevertheless took steps to bring about an exceptional ease of credit. By allowing the notes which returned from circulation to expand the credit base, the Bank raised bankers' deposits by the end of September to £107 million. Thus the end-September figures published by the clearing banks showed a jump of over £34 million in cash, with a corresponding jump in the ratio of cash to deposits from 10.37 to 11.74 per cent. In this way the banks were in turn enabled to follow a generous lending policy, so that a second feature of the returns was a jump of over £26 million in advances to the high level of £1,011 million—not a great deal below the 1929 peak. During August a further £9 million of bank cash was created, and the gilt-edged market began to discuss whether this might not drive the banks into the gilt-edged market on a large scale, as in the early days of the cheap money policy initiated in 1932. The cut in Bank rate to 2 per cent. naturally revived keen speculation on the possibility of an immediate Government issue. There were also speculations in the City as to whether the Treasury would not take advantage of the favourable atmosphere to issue the first instalment of defence borrowing.

Industrial Shares Improve

It will be noted that the recovery in gilt-edged was accompanied by a revival in all classes of industrials, which by October 24 had raised the *Financial News* Index once again to 74.1, a recovery of more than 10 per cent. on the low level touched since the outbreak of war. In some sections, such as shipping and iron and steel and coal shares, the rise in prices has been based to some extent upon the improvement in actual and prospective earnings; at the same time, some groups, such as motor shares, have been depressed by the uncertain outlook for the industry in question under war con-

ditions. Nevertheless, the outstanding feature of the recovery has been its width and universality. Brewery and tobacco shares, for example, have done quite well notwithstanding the budget imposts. It is quite evident that the movement as a whole is based on one broad underlying factor, and this has undoubtedly been the return of confidence after the initial shock of the war, assisted by easy-money conditions. Actually this has had to offset the depressing effect of the higher income tax and the Excess Profits Tax, for there has certainly been no tendency to discount the benefit to equities of any inflationary possibility. On the one hand, this would have tended to produce a scissors movement between equities and gilt-edged instead of the simultaneous rise which we have seen. On the other hand, it would certainly not have been consistent with the dullness of commodity shares, which—as will be seen from the table—account for almost the only adverse movement on the month. Rubber shares have been relatively firm, but this has been due as much to the fact that the companies can increase their income substantially before becoming liable to E.P.T., as to the current talk of a rise in price to 1s. per pound before the end of the year. The agreement of the Rhodesian mines to supply this country with practically the whole of our requirements at a maximum price of £46 per ton has had a restraining influence on Rhodesian coppers, which market was more directly affected by the conservative dividend policy of Roan, Antelope and Rhokana, obviously connected with the higher tax provisions. Gold shares have been depressed partly by special liquidation of French holdings and partly by the decision of the South African Government to retain any surplus over 150s. in the price.

Municipal Mortgages

The thawing of the market in municipal stocks lagged considerably behind that of the gilt-edged market proper. For a time dealings were possible only in 5 per cent. stocks, all the recent 3 $\frac{1}{2}$ per cent. or 3 $\frac{1}{2}$ per cent. issues remaining frozen at the minimum prices. This was partly due to the very high yields obtainable on short-term municipal mortgages. As is well known, the restricted access to the new issues market, coupled with the desire to keep down the interest burden to a minimum, has in recent years driven local authorities increasingly to adopt this form of finance. Thus a fair quantity of such short-term borrowings happened to be maturing in September at a time when new issues were completely blocked, when even borrowing from a bank in anticipation of an issue had been rendered illegal without the consent of the new Capital Issues Committee, and when, moreover, the municipalities found themselves confronted with additional capital expenditure for A.R.P. Consequently the demand for fresh accommodation against short-term mortgages became very keen. At one time even municipal borrowers in the first rank were offering 4 $\frac{1}{2}$ per cent., or more for a three-year loan, and even late in the month rates of 4 $\frac{1}{2}$ per cent. were current. Judged in relation to the scale of prospective Government borrowing the amount of such business can hardly have been important, but the high rates have given rise to suggestions that the Government, in the interests of cheap money generally, should issue a central loan on behalf of local authorities with obligations maturing in the near future.

Points from Published Accounts

Qualcast Accounting and War.—The direct effects of war have been experienced by many company shareholders in the shape of dividends reduced or postponed, but so far at least they have not included any marked changes in accounting practice. One important exception to this generalisation, however, is to be found in the accounts of Qualcast, Ltd., for the year to June 30, 1939. This is the only instance, in the writer's experience, where a complete set of accounts has been put forward without a formal directors' report. The company has usually held its annual meeting in the month of September. In view of the uncertain situation created by the outbreak of war, however, the directors have postponed the meeting until a later date, when they hope to be able to make dividend recommendations. This information is circulated to shareholders in a memorandum by the chairman, which accompanies the accounts. But the directors have wisely decided to publish the trading results of the company for the year, and to indicate what would have been their recommendations in normal times. Hence, the report and accounts which have actually been issued are those which the directors had proposed to circulate, but the items which must remain in abeyance are struck through in red. The accounts thus stop short at the appropriation account balance, and the passages in the *pro forma* directors' report dealing with the division of profits are merely inserted for memorandum purposes. It is interesting to note that though the report is signed by the secretary on behalf of the Board, it is actually undated. The whole method seems sensibly devised to keep shareholders posted regarding the state of the company's affairs, though the uncertainty of war, which by coincidence has found the company with somewhat restricted net current resources, unfortunately prevents any dividend recommendation at the moment.

United Steel Companies' Tax Policy.—An article which recently appeared in ACCOUNTANCY discussed the pros and cons of a standardised taxation practice in company accounts. No clear rules have been laid down regarding the most appropriate method of provision for taxation. The safe practice, of course, is to make provision for all estimated liabilities—though accountants who have to argue tax cases for many months, and sometimes years, before final settlement, would be the first to admit that a proper basis of estimation for tax liability is often difficult to devise. On the other hand, the mere charging of tax actually paid during any given financial year is itself open to criticism. United Steel Companies is one of the few companies which makes a suitable distinction between taxation paid to the collector during the financial year and provision made in respect of the current year's profits. The method may be divided into three parts. The profit and loss account bears a debit for income tax, which clearly represents taxation paid in respect of profits earned in the preceding year (or years). Offsetting this charge is a credit from taxation reserve, to meet the parent company's income tax charge, and the income tax and national

defence contribution liabilities of the subsidiary companies. Thirdly, the appropriation section of the profit and loss account includes a provision to taxation reserve, which bears a fairly close relationship to the trading profits reported for the same year. These processes may be illustrated from the actual figures in the latest report of United Steel Companies for the year to June 30, which, firstly, show a charge for tax of £478,870, against which a credit of £559,971 has been brought in from taxation reserve. The reserve for taxation is then credited with £480,000 (compared with trading profits of £1,998,986), whereas in 1937-38, taxation reserve received £796,000, in respect of trading profits totalling £2,584,540. The effect of this method is to make a proper distinction between the current tax liability and payments in respect of past profits. That the method has contributed to the financial strength of the company is evident from the fact that the taxation reserve shown in the balance sheet stands at £1,116,555, or well over twice the amount which the directors have thought proper to reserve in the latest year.

Commonwealth Mining and Finance.—It will be recalled that, as a result of the Stock Exchange Committee's refusal to allow permission to deal in the written-down shares of Commonwealth Mining and Finance, the directors applied to the Board of Trade for the appointment of an inspector. Considerable interest has also been aroused by the allegations of what was known as the "Grundt Committee" and by the counter statements of the directors. Many of the points raised in the controversy concerned the position of the company's subsidiaries and other investments. The latest report, dated May 31, throws no additional light on these questions, but it does illustrate the quite proper limitations within which accountants are compelled to work in cases of this sort. Out of a balance-sheet totalling £642,579, investments in subsidiaries amount to £308,213, and investments in other companies to £298,114, leaving just over £36,000 to be represented by cash and debtors. The investment items are based on cost, less the substantial amounts written off under the reconstruction scheme, and their value is evidently conjectural in present circumstances. Hence, considerable significance must be attached to the auditors' reservation which prefaces the certificate on the balance-sheet, which is given "subject to the value of the company's investments." Complaints are sometimes made regarding the vagueness of such formulas. The answer, however, is that sufficient is thereby conveyed to the shareholder to put him on notice, and to raise any questions involved, if he thinks fit, at the annual meeting.

Points of Presentation.—Two minor points of presentation may be mentioned from the Murex and Parnall Aircraft reports. The former gives the reader complete comparative figures, but to the nearest pound, whereas the current year's figures are shown to the nearest penny. In these days the average shareholder is well content to let the shillings and pence take care of themselves, and the publication of "nearest pounds"

comparative figures suggests that the directors do not regard the former as vital. The Parnall Aircraft balance-sheet is remarkable for the method adopted for the numbering of items. The numbers commence with issued capital, continue down the liabilities, and then proceed to the assets—the first group of assets, fixed assets, being numbered as group 6. Such numbering is evidently not intended to assist the chairman's exposition of the figures, for the print of his speech circulated with the report contained no reference to them. It is difficult to discern the superior advantages in this method of numbering over the separate numbering of liabilities and assets as two essentially distinct sides of the balance-sheet.

IN PARLIAMENT

INCOME-TAX

Mr. Pethick-Lawrence asked the Chancellor of the Exchequer whether he is satisfied that the revised assessments for income-tax will be ready to be in the hands of all tax-payers before January 1, 1940; and whether he proposes to make any change in the law regarding the duties of clerks to the Commissioners in accordance with the proposals of the Royal Commission on Income Tax?

Sir J. Simon : I am advised that existing arrangements will secure that the work of assessment at the revised rates will be accomplished satisfactorily. Any such alteration of the law as the right hon. Member suggests would in present circumstances have the effect of delaying the issue of the notices of assessment.

Mr. Pethick-Lawrence : Is the right hon. Gentleman aware that in the case of the Autumn Budget of 1931 several weeks went by after January 1, in some cases before the demand was brought to the attention of the taxpayer?

Sir J. Simon : This matter is being proceeded with with all possible rapidity, and the authorities believe that it will be dealt with without any unreasonable delay.

Mr. Pethick-Lawrence : Will the right hon. Gentleman give attention to this reform of the law with a view to its being used later if it is not to be used in the present emergency?

Sir J. Simon : Yes, Sir, I will certainly consider that.

Mr. Stuart Russell asked the Chancellor of the Exchequer whether it is proposed that income tax should be charged at the standard rate on the pay of officers on active service, or whether some remission, in accordance with the precedent of the last war, will be accorded?

Sir J. Simon : No, Sir. I do not see my way to propose any special relief from income tax in favour of the pay of officers on active service.

Captain Plugge asked the Chancellor of the Exchequer whether, in view of the hardship to the small wage-earner of meeting the heavy increased income tax, he will consider permitting this to be paid in four equal instalments annually?

Sir J. Simon : The income tax payable by the weekly wage-earner employed by way of manual labour in respect of his wages is payable in two half-yearly instalments, but I would point out that in the case of such wage-earners the taxpayer may spread the tax payable

each half-year over a period of thirteen weeks by means of stamps in accordance with the arrangement printed on the notice of assessment. I do not consider that any modification of existing provisions is required.

Mr. W. H. Green : asked the Chancellor of the Exchequer whether he will consider the advisability of allowing a discount of, say, 2 or 2½ per cent. to taxpayers who pay their full half-year's income tax before December 31 and so reduce the cost of borrowing to the Exchequer?

Sir J. Simon : I would remind the hon. member that under the provisions of Section 159 of the Income Tax Act, 1918, as amended by Section 18 of the Finance Act, 1937, discount at the rate of 2½ per cent. per annum may be claimed in respect of the prepayment of income tax charged under Schedule D.

INCOME TAX (ARMY OFFICERS)

Mr. Loftus asked the Chancellor of the Exchequer whether Army officers' family allowances will be free of income tax?

Sir J. Simon : Income tax is not charged on the family lodging allowances of Army officers except in a few special cases where the officers hold fixed appointments.

ROYAL NAVY

Accountant Branch

Mr. Parker asked the First Lord of the Admiralty what ratings of the accountant branch are to be eligible for direct promotion to commissioned rank, the age limits, training to be given, rank to which they will be promoted, and the number from each branch of the accountant branch who are to be promoted each year?

Mr. Churchill : As I announced on October 4, it has been decided, in principle, that promotion from the lower deck should be extended to the accountant branch. The problem is, however, of considerable complexity, and the details of the scheme have not been completed.

WAR WEALTH (LEVY)

Mr. Pethick-Lawrence asked the Chancellor of the Exchequer whether the announced policy of the Government of a levy on war wealth will involve two valuations, one prior to and one after the war: and when he proposes to carry through the earlier valuation?

Sir J. Simon : As I stated in the course of the Debate on the Second Reading of the Finance Bill, investigation into the practicability of a levy on war-time increases of wealth is proceeding, and I am not, therefore, in a position to give the right hon. Member a reply to his question.

Mr. Pethick-Lawrence : The right hon. Gentleman has told us that the Prime Minister stated several months ago that it was the intention to have this war-time levy on wealth. Will the right hon. Gentleman state when that levy will be imposed? If he cannot do so to-day, can he tell me whether he will be able to give an answer if I put down a question next week, or some other time?

Sir J. Simon : The right hon. Gentleman knows that this is a very complicated question. I have already stated that it is being investigated as rapidly as may be, but I cannot state the date when I shall be able to make an announcement.

Mr. Mander : Does the Chancellor of the Exchequer not think the simplest course would be to pass into law Bill No. 16 on the Order Paper—the Conscription of Wealth Bill?

PUBLICATIONS

The Month's Publications

Hospital Organisation and Management. By Capt. J. E. Stone, M.C., F.S.A.A. Third edition. (Faber & Faber, Ltd. Price 31s. 6d. net.)

Captain Stone's admirable book, which was first published in 1927, has now been re-issued as a third and considerably revised and enlarged edition.

The author's wide experience and intimate knowledge of hospital organisation and management have enabled him to produce what it is no exaggeration to describe as a standard work on this subject. Ranging, as he does, through the whole field of hospital law, finance, administration, planning and construction, Captain Stone provides the hospital administrator with an encyclopædia which cannot fail to aid him in the multitudinous problems which constantly arise in his daily work.

The book is excellently planned, well phrased, provided with tables and diagrams and furnished with a copious index. The chapter which appeared in the earlier editions and dealt with hospital law has now been enlarged—to the extent of a separate book—under the title "Law for Hospital Authorities."

The author has not confined himself to the better known voluntary hospitals but has embodied a mass of information about the large though lesser-known municipal hospital systems. In Chapter II many pages are devoted to summarised information about the 76 hospitals of the London County Council, including the unique British Postgraduate Medical School attached to Hammersmith Hospital.

Amid the mass of major questions exhaustively discussed, Captain Stone has found space for many minor though very important matters such as laundries, funerals, chaplains, clocks and canteens, noise, nurseries, pensions, proxies and price rings, water, wine and spirits.

If one ventured a word of criticism, it might be suggested that the important rôle of hospital steward has hardly received fair treatment in the short paragraph on p. 299, where this principal administrative officer is dismissed as a kind of glorified housekeeper.

Captain Stone's book forcibly brings home the amazing changes which have taken place in the relationship between the public and hospitals. Such terms as "lunatic," "asylum" and "pauper" are now extinct, while the expression, at one time in common use, "I would rather die than go to a hospital," has given place to the full conviction that there, and only there, can the best treatment be obtained.

Captain Stone's book should certainly be constantly open on the table of every hospital administrator in this country.—J. SCOTT-MOORE.

The Principles of Auditing. By F. R. M. de Paula, O.B.E., F.C.A. Tenth Edition. (Sir Isaac Pitman and Sons, Ltd., London. Price 8s. 6d. net.)

The demand for a new edition (the tenth), in twelve months, is indicative of the popularity of this well-known book. It also shows that the book is held to be of very definite instructive value. It is twenty-five years since the first edition was issued and, despite the great changes which have occurred in the world of commerce, the book still fulfils the object expressed in the first edition—"of providing a book of convenient size, and at reasonable cost, that will deal with all the general principles that govern every audit."

When students first realise the enormous scope of the subject of auditing; the infinite variety of circumstances with which an auditor must deal; the absence of any rule-of-thumb methods; the need of a flexible technique; they wonder—quite pardonably—how they will be able to carry out their duties. The secret lies, of course, in a complete mastery of the fundamental principles, and this admirable book provides them with that knowledge.

It is valuable to the practitioner, also, when major problems are met with. Not every practitioner, for example, has to deal with the problems connected with holding companies, but the day may come, and when it does this book will prove his helpful guide.

A feature of the book is its modernity, and the freshness of the author's outlook. Accountants, as a body, are conservative and, accordingly, inclined to bow overmuch to tradition. It has been said "Tradition wears a snowy beard. Romance is always young." Mr. de Paula, with the spirit of eternal youth, does not hesitate to leave the snowy beards, and seek adventure with new and progressive ideas and principles: for example, the inclusion of proposed dividends in balance sheets; the presentation of really informative accounts; the valuation of inventories; the treatment of depreciation. By so doing, he gives a lead to the youth for whom the book is primarily designed, which should inspire them to try to think on new lines, to cultivate originality, and to improve the technique of auditing.

The book is one which every student should read, mark, learn, and inwardly digest; and one which every practitioner should have available for profitable reference.—CEDRIC N. WALTER.

The City of London College announce that the evening courses in preparation for the Intermediate and Final Examinations of the Society of Incorporated Accountants, which had been provisionally suspended, commenced on October 18, authority having been received to reopen the College. Full particulars of the courses can be obtained from the College.

Society of Incorporated Accountants

COUNCIL MEETING

OCTOBER 25, 1939

Present : Mr. Richard A. Witty (Vice-President) in the chair, Mr. W. Norman Bubb, Mr. Henry J. Burgess, Mr. E. Cassleton Elliott, Mr. Walter Holman, Mr. Henry Morgan and Mr. Bertram Nelson.

Apologies for non-attendance were received from Mr. Percy Toothill (President), Mr. A. Stuart Allen, Mr. Arthur Collins, Mr. M. J. Faulks, Sir Thomas Keens, Mr. R. T. Warwick and all members away from London. (The October meeting of the Council is not attended by provincial members.)

SIR JAMES MARTIN MEMORIAL EXHIBITION

Upon a recommendation from the Board of Examiners, the Council awarded the Sir James Martin Memorial Exhibition for May, 1939, to Mr. Robert Cyril Walton, Articled Clerk to Mr. H. J. Thompson, F.S.A.A., City Treasurer, Newcastle-upon-Tyne.

DEATHS

The Secretary reported with regret the death of each of the following members :—

BUCHANAN, WILLIAM GEORGE (*Associate*), London.
CRICK, DAVID NORMAN (*Fellow*), Paris.
FREEBOROUGH, JOHN HENRY (*Fellow*), Sheffield.
HARPER-SMITH, HARRY (*Fellow*), Norwich.
HARTLEY, JOHN (*Associate*), Paignton.
HEATLEY, ROBERT (*Fellow*), Manchester.
JESSAP, CHARLES TOWNSLEY, M.B.E. (*Fellow*), Skegness.
MARTIN, ALBERT VICTOR (*Associate*), Purley.
SPARROW, GEORGE WARREN (*Fellow*), Leicester.
WATSON, HENRY (*Associate*), Bingley.

RESIGNATIONS

The following resignations of membership were accepted with regret as from the dates indicated :—

December 31, 1938 :

NICHOLSON, GEORGE (*Associate*), Melbourne, Australia.
REASON, PETER HENRY (*Associate*), Old Sarum, Wilts.

December 31, 1939 :

CLARKE, THOMAS EDWARD (*Fellow*), Nottingham.
HEYES, MORRIS, C.B.E. (*Fellow*), Bournemouth.
KENYON, ALEXANDER WINGATE (*Fellow*), Bramhall.

INCORPORATED ACCOUNTANTS AND H.M. FORCES

It is proposed to compile a list of Incorporated Accountants and of students for the Society's Examinations who are or will be serving in the Royal Navy, His Majesty's Army or the Royal Air Force. It is requested that precise particulars may be sent to the Secretary of the Society of Incorporated Accountants, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2. Such particulars should consist of the name of the member or student ; rank or rating ; and ship, regiment or

unit. It is important that the address or whereabouts of those concerned should on no account be given. Members in practice are requested to furnish particulars of any candidates who have passed or have been exempted from the Society's Preliminary Examination and who are serving with His Majesty's Forces.

DISTRICT SOCIETIES AND BRANCHES

LONDON AND DISTRICT STUDENTS' SOCIETY

A lecture will be given by Mr. F. Sewell Bray, A.S.A.A., A.C.A., on "The Presentation of Executorship and Trust Accounts" at Incorporated Accountants' Hall, London, on November 14, at 4.0 p.m.

GLASGOW STUDENTS' SOCIETY

Owing to a number of the students being on military service, and the difficulties of travel, the opening meeting of this Society has been postponed. Meantime a modified programme of meetings is being considered, to commence in January.

SOUTH WALES AND MONMOUTHSHIRE

A lecture on "War Finance" will be given by Mr. Hargreaves Parkinson, Editor-in-Chief of the Financial News, on November 1, at the Engineer's Institute, Park Place, Cardiff, at 6.15 p.m. This will be a joint meeting with the Chartered Accountants, Chartered Secretaries and Institute of Bankers.

YORKSHIRE

Saturday Morning Revision Classes

Arrangements have been made to hold a third series of seven classes for students preparing for the December examinations of the Society and for any other students who wish to attend. The classes will be held from 11 a.m. to 12 noon in the library of the District Society Offices, 16-18, Greek Street Chambers, Leeds.

The details are as follows :—

1939

Oct. 28.	"Executors' Accounts," by Mr. G. O. W. Pickard, F.S.A.A. (President, 1939-40).
Nov. 4.	"Bankruptcy," by Mr. J. T. V. Watson (Solicitor).
„ 11.	"Income Tax," by Mr. S. Jones, A.S.A.A. (Honours Intermediate and Final).
„ 18.	"Mercantile Law," by Mr. B. Overend, LL.B., (Solicitor).
„ 25.	"Excess Profits Duty," by Mr. G. Astle, A.S.A.A. (Honours Final).
Dec. 2.	"Executorship Law," by Mr. Ivor W. Jones (Solicitor).
„ 9.	Students' own discussion meeting.

Those who wish to attend the course should advise the Hon. Secretary of the District Society, Mr. T. W. Dresser.

MEMBERSHIP

The following additions to and promotions in the membership of the Society have been completed since our last issue:—

ASSOCIATES TO FELLOWS

Irving, Cecil Douglas (Langton & MacConnel), Liverpool, Practising Accountant; **Kar**, Subodh Krishna, B.A. (Kar, Sen & Co.), Calcutta, Practising Accountant; **Meeser**, Ronald Dudley (Stakesby, Lewis and Lewis), Johannesburg, Practising Accountant; **Sanders**, Thomas Herbert (James & Sanders), Wellingborough, Practising Accountant; **Sen**, Santosh Kumar (Kar, Sen & Co.), Calcutta, Practising Accountant.

ASSOCIATES

Blaker, Charles Bernard, with H. E. Mattinson and Partners, Durban; **Cameron**, Thomas Martin, Town Chamberlain's Department, Kilmarnock; **Durham**, Leonard, with Edward Blinkhorn, Lyon & Co., London; **Evans**, William Eiddior, County Treasurer's Department, Denbighshire County Council, Ruthin; **Hammond**, Fred Jackson, with Wm. Chadwick & Sons, Hyde; **Lubbock**, Victor Charles, with MacIntyre, Hudson & Co., London; **Midgelow**, Leslie, formerly with Vaughan & Gregg, Manchester; **Morris**, James Donald, with Bourner, Bullock & Co., Leek, Staffs; **Mowat**, James Alexander, Glasgow, Practising Accountant; **Newton**, John Cecil, with G. W. Warner, Bloemfontein; **Paynter**, William Laurence, formerly with Morris, Palmer, Day & Vann, London; **Phillips**, Leslie, with Naismith, Coutts & Co., Manchester; **Rastall**, Leslie William, Borough Treasurer's Department, Bedford; **Roum**, Edward Ellison, with Thoseby, Son & Co., Bradford; **Simpson**, Ronald, with Croudson and Co., Leeds; **Smith**, Ronald William, with Clinch, Legge & Co., Seaford.

PERSONAL NOTES

Messrs. Cassleton Elliott & Co., of 4 and 6, Throgmorton Avenue, London, have admitted into partnership Mr. H. C. Horsfall, Incorporated Accountant, who has been a partner in Nigeria for several years.

Mr. W. H. Roberts has admitted into partnership Mr. L. Gordon Gee. The firm will continue to practise under the style of W. H. Roberts & Co., Incorporated Accountants, at 7, Hanover Square, London.

Mr. W. R. Baskett, F.S.A.A., and Mr. C. H. Bryant, A.S.A.A., of Salisbury Chambers, 65-66, Basinghall Street, London, E.C.2, announce that the practice hitherto carried on by them under the firm name of Bobart, Baskett & Bryant will in future be continued under the style of Bobart & Bryant. There is no change in the constitution of the firm.

Mr. Tom Knott, Incorporated Accountant, has commenced public practice at 66, Adswood Lane East, Stockport.

Mr. W. R. Thaxton, Incorporated Accountant, of 1-3, St. Paul's Churchyard, London, E.C.4, announces that during his absence on military service, as a Lieut.-Paymaster of the Royal Army Pay Corps, his practice

will be carried on by Mr. J. C. Day, F.L.A.A., of Messrs. Morris, Palmer, Day & Vann, Wardrobe Chambers, Doctors' Commons, London, E.C.4.

Mr. A. J. Magennis, M.Econ.Sc., F.S.A.A., has been elected by the Governing Body of University College, Cork, to be one of the representatives of the College on the Senate of the National University of Ireland.

Messrs. James M. Brodie & Co., Incorporated Accountants, Port Glasgow, and 116, Hope Street, Glasgow, intimate that they have taken into partnership Mr. James Yuill Clark, C.A. Mr. Clark, who received his training with Messrs. Thomson McLintock & Co., C.A., has been in practice in the city on his own account for the past nine years.

REMOVALS

Mr. R. Verity, Incorporated Accountant, has removed his offices to 7, Albion Street, Hull.

Messrs. Gordon Hawley & Co., Incorporated Accountants, announce that the practice is now being carried on at 81, Lancaster Avenue, Hadley Wood.

Mr. L. J. Muller, Incorporated Accountant, has removed his offices to 20, Windsor Place, Cardiff.

Messrs. G. E. Stringer & Co., Incorporated Accountants, announce that the practice has been transferred to Commerce House, 24, Aldermans Hill, Palmers Green, London.

OBITUARY

JOHN HENRY FREEBOROUGH

The Society has suffered the loss of a valued member by the recent death of Mr. J. H. Freeborough, Sheffield.

He was admitted a member of the Society over 45 years ago. During his more active years he took a keen interest in the affairs of the Sheffield District Society and was held in high esteem by his fellow-members in the profession of accountancy.

He was a welcome figure at the meetings of the Society and many will recall the able speech which he delivered at the Conference of Incorporated Accountants held in Sheffield in September, 1930. He was a man of independent views, but his gift of public speaking enabled him to express them in a manner both vigorous and acceptable.

To his professional connections and interests was added a devotion to public and religious work in Sheffield. As a staunch Liberal in politics, he stood as a Parliamentary candidate on two occasions, but without success. Nevertheless, he won great admiration for his activities and for his energy and ability in connection with the Methodist Church, on whose behalf he travelled to Canada, U.S.A. and Scandinavia to be present at world-wide religious conferences. For 45 years he identified himself with the Friendly Society Movement of Sheffield, and last year received a presentation from his colleagues and friends to mark the completion of 45 years' service in their interest. For over 15 years he had sat on the Bench as a Justice of the Peace in the City of Sheffield.

He recently celebrated his golden wedding anniversary and we extend our sympathy to his wife and the members of his family.

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